



JUNE 2003 TO JUNE 2006

**8165.0**

# **COUNTS OF AUSTRALIAN BUSINESSES, INCLUDING ENTRIES AND EXITS**

**AUSTRALIA**

EMBARGO: 11.30AM (CANBERRA TIME) MON 26 FEB 2007

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## **I N Q U I R I E S**

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or John Blanchette on Canberra (02) 6252 7365.

## INTRODUCTION

This publication presents counts of businesses sourced from the Australian Bureau of Statistics Business Register (ABSBR).

This publication replaces two previous releases: *Australian Bureau of Statistics Business Register, Counts of Businesses (cat. no. 8161.0.55.001)* and *Experimental Estimates, Entries and Exits of Business Entities, Australia (cat. no. 8160.0.55.001)*, both of which were released in 2005. The conceptual basis for both point-in-time counts and counts of entries and exits are harmonised in this release.

## CHANGES FROM PREVIOUS BUSINESS COUNTS RELEASES

Feedback from users since the 2005 releases has indicated that counts of actively trading businesses, rather than all entities carrying out economic activity, are more valuable for the various uses to which business counts are put.

*Australian Bureau of Statistics Business Register, Counts of Businesses* estimated that there were approximately 3 million businesses engaged in economic activity at June 2004. This release estimates that there were approximately 1.9 million actively trading businesses at that time. The difference between the two estimates is due to the exclusion of:

- entities which had an active ABN but which did not have a GST role. While economically active, these entities are mainly businesses with asset holdings and consequent income flows but which do not trade in goods and services; and
- businesses with a GST role which had not returned a Business Activity Statement (BAS) for more than five quarters or had returned a BAS reporting zero dollar amounts. These businesses are likely to be no longer trading.

In combination (noting some overlap) there are approximately 1 million businesses in the above categories. The Explanatory Notes commencing on Page 18 and the Appendix commencing on Page 25 contain more information regarding each of the issues discussed above.

Because of these significant changes in scope, the counts presented in this publication are not comparable with those presented in the aforementioned previous releases.

## FUTURE RELEASES

It is planned to release updated counts, including entries and exits, on an annual basis in future. As discussed in the Appendix on Page 25, these counts will be further refined over time. The next release is scheduled for October 2007.

## FEEDBACK

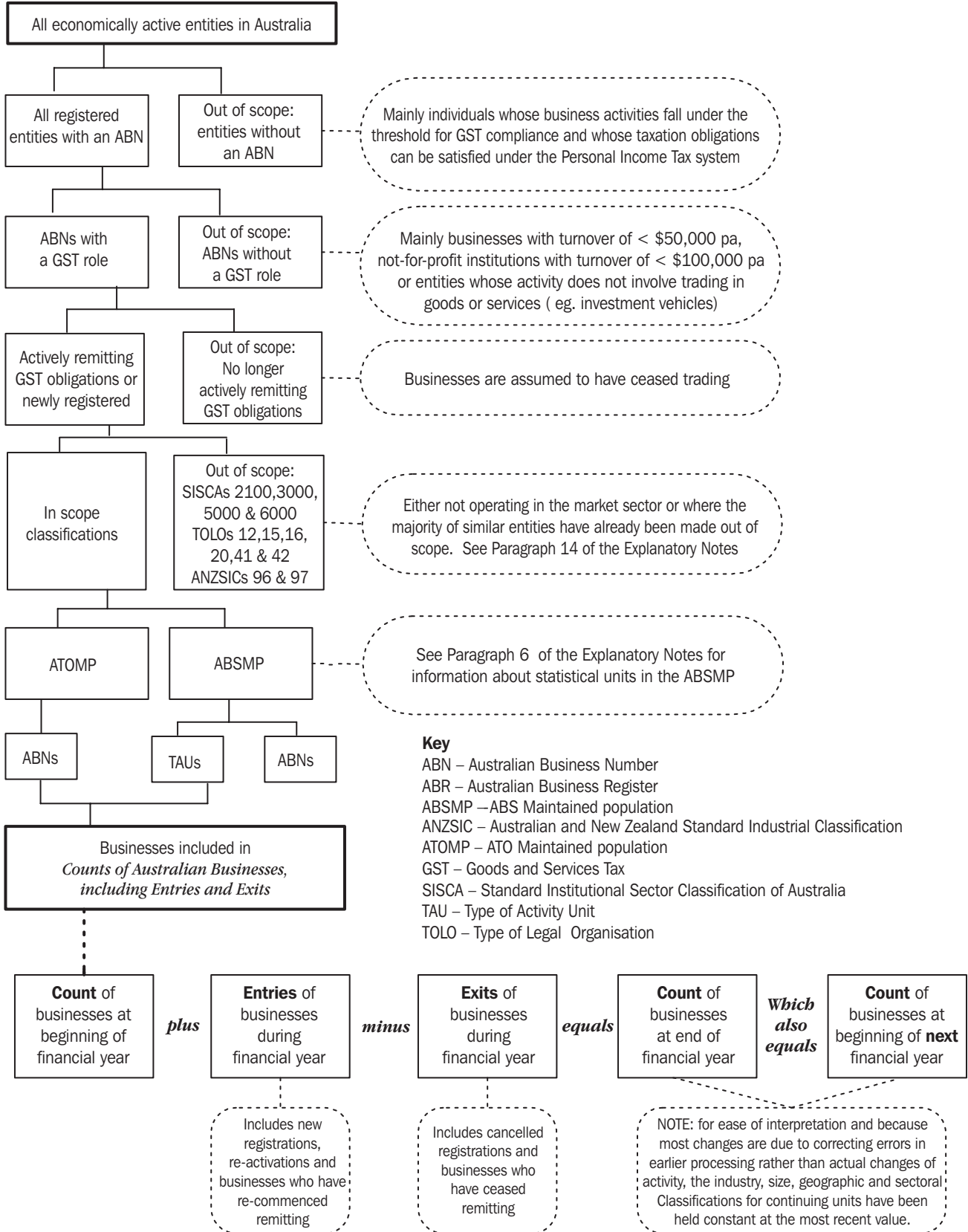
The ABS welcomes feedback from users of these business counts. To provide feedback, please phone Ashley Bartlett on 02 6252 5402 or email <[business.demographics@abs.gov.au](mailto:business.demographics@abs.gov.au)>.

Barbara Dunlop  
Acting Australian Statistician

# CONCEPTUAL AND PRACTICAL BASIS FOR COUNTS

DIAGRAM 1:

THE FOLLOWING ILLUSTRATES THE CONCEPTUAL AND PRACTICAL BASIS FOR COUNTS OF AUSTRALIAN BUSINESSES, INCLUDING ENTRIES AND EXITS



## SUMMARY FINDINGS

### SUMMARY OF FINDINGS

There were 1,963,907 actively trading businesses in Australia as at June 2006.

Growth in the number of businesses slowed slightly in each of the three most recent financial years. The number of businesses grew by 2.2% during 2003-04; by 1.5% during 2004-05; and by 1.3% during 2005-06. In comparison, GDP (in chain volume terms) over the corresponding periods grew by 4.1%, 2.7% and 2.8%, respectively, while Australia's population grew by 1.1%, 1.2% and 1.3% over the same periods.

The slowing growth in the number of businesses over the three years to June 2006 was mainly due to decreasing entry rates. The entry rate for new businesses during 2005-06 was 16.2%, which was marginally lower than the entry rates of 17.4% in 2003-04 and 16.9% in 2004-05. The business exit rate over the three year period was relatively constant: 15.2% in 2003-04; 15.4% in 2004-05; and 14.9% in 2005-06.

Of the 1,868,969 businesses operating in June 2003, 65.0% were still operating in June 2006. Of the 654,704 businesses which did not survive, 43.4% exited during 2003-04, 32.7% during 2004-05 and the remaining 23.9% during 2005-06.

Of the 325,935 business entries during 2003-04, 58.3% were still operating in June 2006. Of the 135,817 which did not survive, 59.1% had exited by June 2005.

In combination, the above two points indicate that, over the short to medium term, business survival is very dependent on the age of the business. That is, the longer a business survives, the greater its chances of continuing survival. (Note that the ABS has determined that it is not feasible to ascertain the age of businesses which were operating at June 2003).

Survival rates are also heavily influenced by non-employing businesses, which have survival rates significantly lower than employing businesses but contribute the greatest proportion of both the stock of existing businesses and business entries (67.9% of businesses operating in June 2003 and 72.9% of business entries in 2003-04 were non-employers). For example, while 58.3% of all entries in 2003-04 were still operating in June 2006, 80.4% of new employing businesses, compared to 49.9% of new non-employers, were still operating.

### INDUSTRY

At June 2006, Property and business services had the greatest number of businesses with 492,453 (or 25% of the total), followed by Construction (16%), Retail trade and Agriculture, forestry and fishing (11% each).

During 2005-2006, Electricity, gas and water supply (26%) and Mining (22%) had the highest entry rates, although these were the two smallest industries in terms of the total number of businesses.

Over the same period, exit rates were highest for Communication services (21%) and Electricity, gas and water supply (20%). Only Communication services (-1.7%) and Manufacturing (-1.3%) experienced net decreases in total number of businesses from the previous year (June 2005).

The survival rates at June 2006 for businesses operating since June 2003 were highest for Health and community services (75.8%) and Agriculture, forestry and fishing (71.1%). Survival rates were lowest for businesses operating in Communication services (52.6%) and Education (55.7%).

## SUMMARY FINDINGS *continued*

### INDUSTRY *continued*

The survival rates for business entries during 2003-04 were similar in terms of their industry breakdown to those for the stock of businesses at June 2003.

### MAIN STATE OF OPERATION

At June 2006, the proportion of businesses by state (as defined by the main state of operation) was broadly aligned with the proportion of Australia's population by state. The main difference was that the larger states (New South Wales, Victoria and Queensland) had a slightly greater proportion of Australia's businesses than they did Australia's population (for example, New South Wales had 34.2% of businesses and 33.1% of the population) while, for the smaller states, the opposite was the case (for example, Tasmania had 1.9% of businesses and 2.4% of the population). Western Australia contained the same proportion (10.0%) of Australia's businesses and population.

In the year to June 2006, Queensland (2.6%) and Western Australia (2.2%) had the highest net growth in the number of businesses, while New South Wales and the Australian Capital Territory each had the lowest growth (0.4%). Entry rates were highest in Queensland and the Northern Territory and lowest in South Australia and Tasmania. Tasmania also had the lowest exit rate of all the states.

Of those businesses operating in June 2003, the survival rates at June 2006 were highest in South Australia and Tasmania and lowest in the Northern Territory and the Australian Capital Territory. The survival rates for business entries during 2003-04 were similar across the States.

### INSTITUTIONAL SECTOR

At June 2006, 1,249,994 (or 63.6%) of businesses were classified to the Household sector (which includes most unincorporated businesses), followed by Non-financial corporations (584,766 or 29.8%) and Financial corporations (129,147 or 6.6%).

The Non-financial corporations sector grew by 1.6% from June 2005 to June 2006, compared to growth at 1.2% in the Household sector and 0.5% in the Financial corporations sector. The churn of businesses in the Non-financial corporations sector was significantly lower than for the other sectors. While the entry rate of Non-financial corporations in 2005-06 was 13.2%, it was 17.5% for Households and 17.3% for Financial corporations. Similarly, Non-financial corporations had an exit rate of 11.6% compared with exit rates of 16.3% and 16.9% in the Household and Financial corporations sectors, respectively. This pattern was similar in the preceding two financial years.

In line with these lower exit rates, the survival to June 2006 of businesses who were operating in June 2003 was higher for Non-financial corporations (71.6%) than for Households (62.2%) or Financial corporations (63.0%). Survival rates for Non-financial corporations which entered in 2003-04 were also higher than for the other sectors.

### EMPLOYMENT SIZE RANGES

At June 2006, there were 807,581 (41.1%) employing businesses and 1,156,326 (58.9%) non-employing businesses.

The majority of employing businesses, 721,569 (89.3%) employed less than 20 employees as at June 2006. This comprised 494,196 (68.5%) businesses with 1-4 employees and 227,373 (31.5%) businesses with 5-19 employees. There were also 80,215 (9.9%) employing businesses with 20 to 199 employees and 5,797 (<1%) employing businesses with 200+ employees.

## SUMMARY FINDINGS *continued*

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### EMPLOYMENT SIZE RANGES *continued*

The survival rates for businesses operating since June 2003 varied significantly between the employing (87.3%) and the non-employing (53.8%) populations. In addition, for employing businesses, survival rates were slightly higher for businesses employing between 5-19 employees (90.4%) and 20-199 employees (90.2%).

In the period June 2005-06, entry rates were higher for non-employing businesses (18.4%) and business employing 1-4 employees (16.8%). Conversely, entry rates for businesses employing five or more employees were at noticeably lower levels. Exit rates over the same period were highest for non-employing businesses (18.2%) and businesses employing 1-4 employees (12.2%), but were lowest for businesses employing between 20-199 staff (6.1%).

### ANNUAL TURNOVER SIZE RANGES

At June 2006, businesses reporting annual turnover between \$50k to less than \$200k made up the largest share of the total business population with 780,062 (39.7%). Businesses reporting annual turnover between \$200k to less than \$2m were next at 652,798 (33.2%), followed by businesses reporting between zero to less than \$50k at 404,643 (20.6%), and businesses reporting \$2m or more at 126,404 (6.4%).

The survival rates for businesses operating since June 2003 fluctuated across most turnover ranges, but were noticeably lower for those businesses reporting in the range \$50k to less than \$200k (59.8%).

In the period June 2005-2006, entry and exit rates were higher for businesses who reported annual turnover in the ranges \$50k to less than \$200k (18.0% and 18.1% respectively). Entry and exit rates were generally lower for businesses who reported annual turnover in the \$2m or more range.

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	<i>Operating at start of financial year</i>	<i>Entries</i>	<i>Exits</i>	<i>Operating at end of financial year</i>	<i>Change</i>	<i>Percentage change</i>	<i>Entry rate</i>	<i>Exit rate</i>
	no.	no.	no.	no.	no.	%	%	%
2003-04								
Agriculture, Forestry and Fishing	212 005	23 042	22 364	212 683	678	0.3	10.9	10.6
Mining	6 134	1 093	920	6 307	173	2.8	17.8	15.0
Manufacturing	111 085	14 270	15 253	110 102	-983	-0.9	12.9	13.7
Electricity, Gas and Water Supply	1 620	509	309	1 820	200	12.4	31.4	19.1
Construction	289 509	55 785	47 995	297 299	7 790	2.7	19.3	16.6
Wholesale Trade	79 742	13 635	11 230	82 147	2 405	3.0	17.1	14.1
Retail Trade	211 284	37 570	33 790	215 064	3 780	1.8	17.8	16.0
Accommodation, Cafes and Restaurants	50 941	11 805	9 179	53 567	2 626	5.2	23.2	18.0
Transport and Storage	110 813	20 673	18 001	113 485	2 672	2.4	18.7	16.2
Communication Services	23 580	5 402	5 103	23 879	299	1.3	22.9	21.6
Finance and Insurance	123 058	24 040	20 324	126 774	3 716	3.0	19.5	16.5
Property and Business Services	451 927	84 910	68 588	468 249	16 322	3.6	18.8	15.2
Education	15 172	2 958	3 179	14 951	-221	-1.5	19.5	21.0
Health and Community Services	82 763	10 482	8 206	85 039	2 276	2.8	12.7	9.9
Cultural and Recreational Services	47 809	7 502	9 263	46 048	-1 761	-3.7	15.7	19.4
Personal and Other Services	51 527	12 259	10 293	53 493	1 966	3.8	23.8	20.0
<b>All Industries</b>	<b>1 868 969</b>	<b>325 935</b>	<b>283 997</b>	<b>1 910 907</b>	<b>41 938</b>	<b>2.2</b>	<b>17.4</b>	<b>15.2</b>
2004-05								
Agriculture, Forestry and Fishing	212 683	23 552	22 985	213 250	567	0.3	11.1	10.8
Mining	6 307	1 274	1 018	6 563	256	4.1	20.2	16.1
Manufacturing	110 102	13 819	15 744	108 177	-1 925	-1.8	12.6	14.3
Electricity, Gas and Water Supply	1 820	472	342	1 950	130	7.1	25.9	18.8
Construction	297 299	55 386	49 637	303 048	5 749	1.9	18.6	16.7
Wholesale Trade	82 147	14 049	11 680	84 516	2 369	2.9	17.1	14.2
Retail Trade	215 064	37 554	35 658	216 960	1 896	0.9	17.5	16.6
Accommodation, Cafes and Restaurants	53 567	11 241	10 122	54 686	1 119	2.1	21.0	18.9
Transport and Storage	113 485	20 151	19 372	114 264	779	0.7	17.8	17.1
Communication Services	23 879	5 070	5 368	23 581	-298	-1.3	21.2	22.5
Finance and Insurance	126 774	23 024	20 655	129 143	2 369	1.9	18.2	16.3
Property and Business Services	468 249	83 774	71 087	480 936	12 687	2.7	17.9	15.2
Education	14 951	2 991	2 988	14 954	3	—	20.0	20.0
Health and Community Services	85 039	10 710	8 803	86 946	1 907	2.2	12.6	10.4
Cultural and Recreational Services	46 048	7 822	8 466	45 404	-644	-1.4	17.0	18.4
Personal and Other Services	53 493	11 511	10 294	54 710	1 217	2.3	21.5	19.2
<b>All Industries</b>	<b>1 910 907</b>	<b>322 400</b>	<b>294 219</b>	<b>1 939 088</b>	<b>28 181</b>	<b>1.5</b>	<b>16.9</b>	<b>15.4</b>
2005-06								
Agriculture, Forestry and Fishing	213 250	30 029	28 400	214 879	1 629	0.8	14.1	13.3
Mining	6 563	1 467	1 033	6 997	434	6.6	22.4	15.7
Manufacturing	108 177	12 702	14 101	106 778	-1 399	-1.3	11.7	13.0
Electricity, Gas and Water Supply	1 950	501	394	2 057	107	5.5	25.7	20.2
Construction	303 048	53 385	48 028	308 405	5 357	1.8	17.6	15.9
Wholesale Trade	84 516	12 151	12 034	84 633	117	0.1	14.4	14.2
Retail Trade	216 960	34 401	33 677	217 684	724	0.3	15.9	15.5
Accommodation, Cafes and Restaurants	54 686	10 358	9 378	55 666	980	1.8	18.9	17.2
Transport and Storage	114 264	18 956	17 578	115 642	1 378	1.2	16.6	15.4
Communication Services	23 581	4 504	4 894	23 191	-390	-1.7	19.1	20.8
Finance and Insurance	129 143	22 337	21 834	129 646	503	0.4	17.3	16.9
Property and Business Services	480 936	80 770	69 253	492 453	11 517	2.4	16.8	14.4
Education	14 954	3 072	2 739	15 287	333	2.2	20.5	18.3
Health and Community Services	86 946	10 836	8 554	89 228	2 282	2.6	12.5	9.8
Cultural and Recreational Services	45 404	7 833	7 700	45 537	133	0.3	17.3	17.0
Personal and Other Services	54 710	11 276	10 162	55 824	1 114	2.0	20.6	18.6
<b>All Industries</b>	<b>1 939 088</b>	<b>314 578</b>	<b>289 759</b>	<b>1 963 907</b>	<b>24 819</b>	<b>1.3</b>	<b>16.2</b>	<b>14.9</b>

— nil or rounded to zero (including null cells)



## 2

## SURVIVAL OF BUSINESSES BY INDUSTRY DIVISION: June 2003 - June 2006

	<i>Operating in June 2003</i>	<i>Survived to June 2004</i>	<i>Survival rate</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%	no.	%
Agriculture, Forestry and Fishing	212 005	189 641	89.5	171 219	80.8	150 808	71.1
Mining	6 134	5 214	85.0	4 476	73.0	3 987	65.0
Manufacturing	111 085	95 832	86.3	83 490	75.2	74 892	67.4
Electricity, Gas and Water Supply	1 620	1 311	80.9	1 119	69.1	989	61.1
Construction	289 509	241 514	83.4	206 632	71.4	182 960	63.2
Wholesale Trade	79 742	68 512	85.9	60 002	75.3	53 724	67.4
Retail Trade	211 284	177 494	84.0	150 500	71.2	132 013	62.5
Accommodation, Cafes and Restaurants	50 941	41 762	82.0	34 560	67.8	29 853	58.6
Transport and Storage	110 813	92 812	83.8	79 017	71.3	70 172	63.3
Communication Services	23 580	18 477	78.4	14 716	62.4	12 395	52.6
Finance and Insurance	123 058	102 734	83.5	88 529	71.9	77 513	63.0
Property and Business Services	451 927	383 339	84.8	332 300	73.5	295 947	65.5
Education	15 172	11 993	79.1	9 848	64.9	8 451	55.7
Health and Community Services	82 763	74 557	90.1	67 825	82.0	62 696	75.8
Cultural and Recreational Services	47 809	38 546	80.6	32 342	67.7	28 171	58.9
Personal and Other Services	51 527	41 234	80.0	34 448	66.9	29 694	57.6
<b>All Industries</b>	<b>1 868 969</b>	<b>1 584 972</b>	<b>84.8</b>	<b>1 371 023</b>	<b>73.4</b>	<b>1 214 265</b>	<b>65.0</b>

## 3

## SURVIVAL OF ENTRIES BY INDUSTRY DIVISION: June 2003 - June 2006

	<i>Entries in 2003-04</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%
Agriculture, Forestry and Fishing	23 042	18 479	80.2	15 314	66.5
Mining	1 093	813	74.4	605	55.4
Manufacturing	14 270	10 868	76.2	8 521	59.7
Electricity, Gas and Water Supply	509	359	70.5	241	47.4
Construction	55 785	41 030	73.6	30 943	55.5
Wholesale Trade	13 635	10 465	76.8	7 999	58.7
Retail Trade	37 570	28 906	76.9	22 292	59.3
Accommodation, Cafes and Restaurants	11 805	8 885	75.3	6 729	57.0
Transport and Storage	20 673	15 096	73.0	11 442	55.4
Communication Services	5 402	3 795	70.3	2 690	49.8
Finance and Insurance	24 040	17 590	73.2	13 414	55.8
Property and Business Services	84 910	64 862	76.4	51 104	60.2
Education	2 958	2 115	71.5	1 553	52.5
Health and Community Services	10 482	8 411	80.2	7 018	67.0
Cultural and Recreational Services	7 502	5 240	69.9	3 873	51.6
Personal and Other Services	12 259	8 751	71.4	6 383	52.1
<b>All Industries</b>	<b>325 935</b>	<b>245 665</b>	<b>75.4</b>	<b>190 121</b>	<b>58.3</b>

## BUSINESSES BY MAIN STATE(a): June 2003 - June 2006

	<i>Operating at start of financial year</i>	<i>Entries</i>	<i>Exits</i>	<i>Operating at end of financial year</i>	<i>Change</i>	<i>Percentage change</i>	<i>Entry rate</i>	<i>Exit rate</i>
	no.	no.	no.	no.	no.	%	%	%
2003-04								
New South Wales	650 890	116 513	103 343	664 060	13 170	2.0	17.9	15.9
Victoria	465 922	78 412	67 368	476 966	11 044	2.4	16.8	14.5
Queensland	358 339	67 116	55 776	369 679	11 340	3.2	18.7	15.6
South Australia	135 477	20 641	17 737	138 381	2 904	2.1	15.2	13.1
Western Australia	185 858	31 306	28 659	188 505	2 647	1.4	16.8	15.4
Tasmania	35 156	5 430	4 549	36 037	881	2.5	15.5	12.9
Northern Territory	13 650	2 222	2 477	13 395	-255	-1.9	16.3	18.2
Australian Capital Territory	23 677	4 295	4 088	23 884	207	0.9	18.1	17.3
<b>Australia</b>	<b>1 868 969</b>	<b>325 935</b>	<b>283 997</b>	<b>1 910 907</b>	<b>41 938</b>	<b>2.2</b>	<b>17.4</b>	<b>15.2</b>
2004-05								
New South Wales	664 060	110 157	105 544	668 673	4 613	0.7	16.6	15.9
Victoria	476 966	78 830	70 713	485 083	8 117	1.7	16.5	14.8
Queensland	369 679	69 511	58 955	380 235	10 556	2.9	18.8	16.0
South Australia	138 381	20 318	18 815	139 884	1 503	1.1	14.7	13.6
Western Australia	188 505	31 737	28 919	191 323	2 818	1.5	16.8	15.3
Tasmania	36 037	5 410	4 852	36 595	558	1.6	15.0	13.5
Northern Territory	13 395	2 305	2 399	13 301	-94	-0.7	17.2	17.9
Australian Capital Territory	23 884	4 132	4 022	23 994	110	0.5	17.3	16.8
<b>Australia</b>	<b>1 910 907</b>	<b>322 400</b>	<b>294 219</b>	<b>1 939 088</b>	<b>28 181</b>	<b>1.5</b>	<b>16.9</b>	<b>15.4</b>
2005-06								
New South Wales	668 673	104 507	101 562	671 618	2 945	0.4	15.6	15.2
Victoria	485 083	76 276	70 185	491 174	6 091	1.3	15.7	14.5
Queensland	380 235	69 371	59 567	390 039	9 804	2.6	18.2	15.7
South Australia	139 884	19 977	19 006	140 855	971	0.7	14.3	13.6
Western Australia	191 323	32 991	28 737	195 577	4 254	2.2	17.2	15.0
Tasmania	36 595	5 227	4 691	37 131	536	1.5	14.3	12.8
Northern Territory	13 301	2 389	2 272	13 418	117	0.9	18.0	17.1
Australian Capital Territory	23 994	3 840	3 739	24 095	101	0.4	16.0	15.6
<b>Australia</b>	<b>1 939 088</b>	<b>314 578</b>	<b>289 759</b>	<b>1 963 907</b>	<b>24 819</b>	<b>1.3</b>	<b>16.2</b>	<b>14.9</b>

(a) Please refer to paragraph 42 in the Explanatory Notes for more information regarding businesses and their Main State of operation.

## 5

## SURVIVAL OF BUSINESSES BY MAIN STATE(a): June 2003 - June 2006

	<i>Operating in June 2003</i>	<i>Survived to June 2004</i>	<i>Survival rate</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%	no.	%
New South Wales	650 890	547 547	84.1	471 773	72.5	417 888	64.2
Victoria	465 922	398 554	85.5	346 884	74.5	308 630	66.2
Queensland	358 339	302 563	84.4	259 786	72.5	228 384	63.7
South Australia	135 477	117 740	86.9	103 527	76.4	92 242	68.1
Western Australia	185 858	157 199	84.6	135 962	73.2	120 039	64.6
Tasmania	35 156	30 607	87.1	26 952	76.7	24 152	68.7
Northern Territory	13 650	11 173	81.9	9 458	69.3	8 248	60.4
Australian Capital Territory	23 677	19 589	82.7	16 681	70.5	14 682	62.0
<b>Australia</b>	<b>1 868 969</b>	<b>1 584 972</b>	<b>84.8</b>	<b>1 371 023</b>	<b>73.4</b>	<b>1 214 265</b>	<b>65.0</b>

(a) Please refer to paragraph 42 in the Explanatory Notes for more information regarding businesses and their Main State of operation.

## 6

## SURVIVAL OF ENTRIES BY MAIN STATE(a): June 2003 - June 2006

	<i>Entries in 2003-04</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%
New South Wales	116 513	86 743	74.5	66 704	57.3
Victoria	78 412	59 369	75.7	46 080	58.8
Queensland	67 116	50 938	75.9	39 301	58.6
South Australia	20 641	16 039	77.7	12 766	61.9
Western Australia	31 306	23 624	75.5	18 292	58.4
Tasmania	5 430	4 233	78.0	3 422	63.0
Northern Territory	2 222	1 538	69.2	1 125	50.6
Australian Capital Territory	4 295	3 181	74.1	2 431	56.6
<b>Australia</b>	<b>325 935</b>	<b>245 665</b>	<b>75.4</b>	<b>190 121</b>	<b>58.3</b>

(a) Please refer to paragraph 42 in the Explanatory Notes for more information regarding businesses and their Main State of operation

## 7

## BUSINESSES BY INSTITUTIONAL SECTOR: June 2003 - June 2006

	<i>Operating at start of financial year</i>	<i>Entries</i>	<i>Exits</i>	<i>Operating at end of financial year</i>	<i>Change</i>	<i>Percentage change</i>	<i>Entry rate</i>	<i>Exit rate</i>
	no.	no.	no.	no.	no.	%	%	%
2003-04								
Non-Financial Corporations	540 484	82 459	61 166	561 777	21 293	3.9	15.3	11.3
Financial Corporations	122 390	23 989	20 230	126 149	3 759	3.1	19.6	16.5
Households	1 206 095	219 487	202 601	1 222 981	16 886	1.4	18.2	16.8
<b>All Sectors</b>	<b>1 868 969</b>	<b>325 935</b>	<b>283 997</b>	<b>1 910 907</b>	<b>41 938</b>	<b>2.2</b>	<b>17.4</b>	<b>15.2</b>
2004-05								
Non-Financial Corporations	561 777	81 567	68 019	575 325	13 548	2.4	14.5	12.1
Financial Corporations	126 149	22 955	20 551	128 553	2 404	1.9	18.2	16.3
Households	1 222 981	217 878	205 649	1 235 210	12 229	1.0	17.8	16.8
<b>All Sectors</b>	<b>1 910 907</b>	<b>322 400</b>	<b>294 219</b>	<b>1 939 088</b>	<b>28 181</b>	<b>1.5</b>	<b>16.9</b>	<b>15.4</b>
2005-06								
Non-Financial Corporations	575 325	76 117	66 676	584 766	9 441	1.6	13.2	11.6
Financial Corporations	128 553	22 295	21 701	129 147	594	0.5	17.3	16.9
Households	1 235 210	216 166	201 382	1 249 994	14 784	1.2	17.5	16.3
<b>All Sectors</b>	<b>1 939 088</b>	<b>314 578</b>	<b>289 759</b>	<b>1 963 907</b>	<b>24 819</b>	<b>1.3</b>	<b>16.2</b>	<b>14.9</b>

## 8

## SURVIVAL OF BUSINESSES BY INSTITUTIONAL SECTOR: June 2003 - June 2006

	<i>Operating in June 2003</i>	<i>Survived to June 2004</i>	<i>Survival rate</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%	no.	%
Non-Financial Corporations	540 484	479 318	88.7	426 808	79.0	387 131	71.6
Financial Corporations	122 390	102 160	83.5	88 054	72.0	77 142	63.0
Households	1 206 095	1 003 494	83.2	856 161	71.0	749 992	62.2
<b>All Sectors</b>	<b>1 868 969</b>	<b>1 584 972</b>	<b>84.8</b>	<b>1 371 023</b>	<b>73.4</b>	<b>1 214 265</b>	<b>65.0</b>

## SURVIVAL OF ENTRIES BY INSTITUTIONAL SECTOR: June 2003 - June 2006

	<i>Entries in 2003-04</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%
Non-Financial Corporations	82 459	66 950	81.2	54 973	66.7
Financial Corporations	23 989	17 544	73.1	13 381	55.8
Households	219 487	161 171	73.4	121 767	55.5
<b>All Sectors</b>	<b>325 935</b>	<b>245 665</b>	<b>75.4</b>	<b>190 121</b>	<b>58.3</b>

## BUSINESSES BY EMPLOYMENT SIZE RANGES (a): June 2003 - June 2006

	Operating at start of financial year	Entries	Exits	Operating at end of financial year	Change	Percentage change	Entry rate	Exit rate
	no.	no.	no.	no.	no.	%	%	%
2003-04								
Non employing	1 245 137	236 192	269 434	1 211 895	-33 242	-2.7	19.0	21.6
Employing								
1-4(b)	362 594	57 983	10 279	410 298	47 704	13.2	16.0	2.8
5-19	185 257	23 661	2 563	206 355	21 098	11.4	12.8	1.4
20-199	70 655	7 590	1 351	76 894	6 239	8.8	10.7	1.9
200+	5 326	509	370	5 465	139	2.6	9.6	7.0
<b>Total employing</b>	<b>623 832</b>	<b>89 743</b>	<b>14 563</b>	<b>699 012</b>	<b>75 180</b>	<b>12.1</b>	<b>14.4</b>	<b>2.3</b>
<b>Total</b>	<b>1 868 969</b>	<b>325 935</b>	<b>283 997</b>	<b>1 910 907</b>	<b>41 938</b>	<b>2.2</b>	<b>17.4</b>	<b>15.2</b>
2004-05								
Non employing	1 211 895	216 932	274 790	1 154 037	-57 858	-4.8	17.9	22.7
Employing								
1-4(b)	410 298	75 494	13 527	472 265	61 967	15.1	18.4	3.3
5-19	206 355	23 100	3 615	225 840	19 485	9.4	11.2	1.8
20-199	76 894	6 380	2 001	81 273	4 379	5.7	8.3	2.6
200+	5 465	494	286	5 673	208	3.8	9.0	5.2
<b>Total employing</b>	<b>699 012</b>	<b>105 468</b>	<b>19 429</b>	<b>785 051</b>	<b>86 039</b>	<b>12.3</b>	<b>15.1</b>	<b>2.8</b>
<b>Total</b>	<b>1 910 907</b>	<b>322 400</b>	<b>294 219</b>	<b>1 939 088</b>	<b>28 181</b>	<b>1.5</b>	<b>16.9</b>	<b>15.4</b>
2005-06								
Non employing	1 154 037	212 004	209 715	1 156 326	2 289	0.2	18.4	18.2
Employing								
1-4(b)	472 265	79 418	57 487	494 196	21 931	4.6	16.8	12.2
5-19	225 840	18 777	17 244	227 373	1 533	0.7	8.3	7.6
20-199	81 273	3 867	4 925	80 215	-1 058	-1.3	4.8	6.1
200+	5 673	512	388	5 797	124	2.2	9.0	6.8
<b>Total employing</b>	<b>785 051</b>	<b>102 574</b>	<b>80 044</b>	<b>807 581</b>	<b>22 530</b>	<b>2.9</b>	<b>13.1</b>	<b>10.2</b>
<b>Total</b>	<b>1 939 088</b>	<b>314 578</b>	<b>289 759</b>	<b>1 963 907</b>	<b>24 819</b>	<b>1.3</b>	<b>16.2</b>	<b>14.9</b>

(a) Employment size is based on last reported information - see paragraphs 22, 38 and 39 of the Explanatory Notes.

(b) A very small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries (and have zero employees), are included in this category.

# 11

## SURVIVAL OF BUSINESSES BY EMPLOYMENT SIZE RANGES(a): June 2003 - June 2006

	<i>Operating in June 2003</i>	<i>Survived to June 2004</i>	<i>Survival rate</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%	no.	%
<b>Non employing</b>	<b>1 245 137</b>	<b>975 703</b>	<b>78.4</b>	<b>777 148</b>	<b>62.4</b>	<b>669 844</b>	<b>53.8</b>
Employing							
1-4(b)	362 594	352 315	97.2	341 870	94.3	308 734	85.2
5-19	185 257	182 694	98.6	179 726	97.0	167 528	90.4
20-199	70 655	69 304	98.1	67 568	95.6	63 712	90.2
200+	5 326	4 956	93.1	4 711	88.5	4 447	83.5
<b>Total employing</b>	<b>623 832</b>	<b>609 269</b>	<b>97.7</b>	<b>593 875</b>	<b>95.2</b>	<b>544 421</b>	<b>87.3</b>
<b>Total</b>	<b>1 868 969</b>	<b>1 584 972</b>	<b>84.8</b>	<b>1 371 023</b>	<b>73.4</b>	<b>1 214 265</b>	<b>65.0</b>

- (a) Employment size is based on last reported information - see paragraphs 22, 38 and 39 of the Explanatory Notes.
- (b) A very small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries (and have zero employees), are included in this category.

# 12

## SURVIVAL OF ENTRIES BY EMPLOYMENT SIZE RANGES(a): June 2003 - June 2006

	<i>Entries in 2003-04</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%
<b>Non employing</b>	<b>236 192</b>	<b>159 957</b>	<b>67.7</b>	<b>117 939</b>	<b>49.9</b>
Employing					
1-4(b)	57 983	54 901	94.7	44 542	76.8
5-19	23 661	23 014	97.3	20 467	86.5
20-199	7 590	7 325	96.5	6 755	89.0
200+	509	468	91.9	418	82.1
<b>Total employing</b>	<b>89 743</b>	<b>85 708</b>	<b>95.5</b>	<b>72 182</b>	<b>80.4</b>
<b>Total</b>	<b>325 935</b>	<b>245 665</b>	<b>75.4</b>	<b>190 121</b>	<b>58.3</b>

- (a) Employment size is based on last reported information - see paragraphs 22, 38 and 39 of the Explanatory Notes.
- (b) A very small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries (and have zero employees), are included in this category.

# 13

## BUSINESSES BY ANNUAL TURNOVER SIZE RANGES (a): June 2003 - June 2006

	<i>Operating at start of financial year</i>	<i>Entries</i>	<i>Exits</i>	<i>Operating at end of financial year</i>	<i>Change</i>	<i>Percentage change</i>	<i>Entry rate</i>	<i>Exit rate</i>
	no.	no.	no.	no.	no.	%	%	%
2003-04								
Zero to less than \$50k	356 996	67 766	35 734	389 028	32 032	9.0	19.0	10.0
\$50k to less than \$200k	766 982	150 788	139 200	778 570	11 588	1.5	19.7	18.2
\$200k to less than \$2m	620 133	91 890	92 357	619 666	-467	-0.1	14.8	14.9
\$2m or more	124 858	15 491	16 706	123 643	-1 215	-1.0	12.4	13.4
<b>Total</b>	<b>1 868 969</b>	<b>325 935</b>	<b>283 997</b>	<b>1 910 907</b>	<b>41 938</b>	<b>2.2</b>	<b>17.4</b>	<b>15.2</b>
2004-05								
Zero to less than \$50k	389 028	73 472	59 609	402 891	13 863	3.6	18.9	15.3
\$50k to less than \$200k	778 570	146 284	143 733	781 121	2 551	0.3	18.8	18.5
\$200k to less than \$2m	619 666	87 577	76 498	630 745	11 079	1.8	14.1	12.4
\$2m or more	123 643	15 067	14 379	124 331	688	0.6	12.2	11.6
<b>Total</b>	<b>1 910 907</b>	<b>322 400</b>	<b>294 219</b>	<b>1 939 088</b>	<b>28 181</b>	<b>1.5</b>	<b>16.9</b>	<b>15.4</b>
2005-06								
Zero to less than \$50k	402 891	54 096	52 344	404 643	1 752	0.4	13.4	13.0
\$50k to less than \$200k	781 121	140 512	141 571	780 062	-1 059	-0.1	18.0	18.1
\$200k to less than \$2m	630 745	103 552	81 499	652 798	22 053	3.5	16.4	12.9
\$2m or more	124 331	16 418	14 345	126 404	2 073	1.7	13.2	11.5
<b>Total</b>	<b>1 939 088</b>	<b>314 578</b>	<b>289 759</b>	<b>1 963 907</b>	<b>24 819</b>	<b>1.3</b>	<b>16.2</b>	<b>14.9</b>

(a) Turnover is based on last reported information - see paragraphs 22, 40 and 41 of the Explanatory Notes.

# 14

## SURVIVAL OF BUSINESSES BY ANNUAL TURNOVER SIZE RANGES (a): June 2003 - June 2006

	<i>Operating in June 2003</i>	<i>Survived to June 2004</i>	<i>Survival rate</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%	no.	%
Zero to less than \$50k	356 996	321 262	90.0	274 588	76.9	243 527	68.2
\$50k to less than \$200k	766 982	627 782	81.9	527 584	68.8	458 662	59.8
\$200k to less than \$2m	620 133	527 776	85.1	471 381	76.0	422 671	68.2
\$2m or more	124 858	108 152	86.6	97 470	78.1	89 405	71.6
<b>Total</b>	<b>1 868 969</b>	<b>1 584 972</b>	<b>84.8</b>	<b>1 371 023</b>	<b>73.4</b>	<b>1 214 265</b>	<b>65.0</b>

(a) Turnover is based on last reported information - see paragraphs 22, 40 and 41 of the Explanatory Notes.



**SURVIVAL OF ENTRIES BY ANNUAL TURNOVER SIZE RANGES (a): June 2003 - June 2006**

	<i>Entries in 2003-04</i>	<i>Survived to June 2005</i>	<i>Survival rate</i>	<i>Survived to June 2006</i>	<i>Survival rate</i>
	no.	no.	%	no.	%
Zero to less than \$50k	67 766	54 831	80.9	44 421	65.6
\$50k to less than \$200k	150 788	107 253	71.1	77 461	51.4
\$200k to less than \$2m	91 890	71 787	78.1	58 721	63.9
\$2m or more	15 491	11 794	76.1	9 518	61.4
<b>Total</b>	<b>325 935</b>	<b>245 665</b>	<b>75.4</b>	<b>190 121</b>	<b>58.3</b>

(a) Turnover is based on last reported information - see paragraphs 22, 40 and 41 of the Explanatory Notes.

## EXPLANATORY NOTES

### INTRODUCTION

**1** This publication presents counts of businesses based on snapshots of actively trading businesses as at June 2003, 2004, 2005 and 2006 from the Australian Bureau of Statistics Business Register. This publication contains counts and rates of business entries and exits from the Australian economy as well as counts and rates pertaining to the survival of businesses.

**2** This publication harmonises two previous publications; *Australian Bureau of Statistics Business Register, Counts of Businesses* (cat. no. 8161.0.55.001) and *Experimental Estimates, Entries and Exits of Business Entities, Australia* (cat. no. 8160.0.55.001). Those releases used different data sources and definitions.

**3** The scope of this release is significantly changed from that used in *Counts of Businesses*. This release only includes businesses which actively traded in goods or services during the reference period in question.

### DATA SOURCE

**4** Most businesses in Australia need to obtain an Australian Business Number (ABN). These businesses are then included on the whole-of-government register of businesses, the Australian Business Register (ABR), which is maintained by the Australian Taxation Office (ATO). Information about the ABR can be obtained from the ATO web site <[www.ato.gov.au/business](http://www.ato.gov.au/business)>. The ABS uses information from the ABR to populate its internal register of businesses, the Australian Bureau of Statistics Business Register (ABSBR), which is used as a source for business survey frames and also for business counts.

**5** Businesses with annual turnover of \$50,000 and above and non-profit organisations with annual turnover of \$100,000 and above, are required to register for an ABN. Businesses below these thresholds may choose to register for an ABN. Businesses are required to notify the ABR when their registration details change, including if they cease business.

### STATISTICAL UNIT

**6** In mid 2002, the ABS commenced sourcing its register information from the ABR and at that time changed its business register to a two population model. The two populations comprise what is called the Australian Tax Office maintained population (ATOMP) and the Australian Bureau of Statistics maintained population (ABSMP). The main distinction between businesses in the two populations relates to the complexity of the business structure and the degree of intervention required to reflect the business structure for statistical purposes.

**7** The vast majority of businesses included on the ABS Business Register are in the ATOMP. Most of these businesses have simple structures and the unit registered for an ABN satisfies ABS statistical requirements. For these businesses, the ABS statistical units structure directly aligns with the ABN unit, therefore one ABN equates to one business.

**8** For a relatively small number of businesses, the ABN unit is not suitable for ABS economic statistics purposes and the ABS maintains its own units structure through direct contact with businesses. These businesses constitute the ABSMP. This population consists typically of large, complex and diverse groups of businesses. In the ABSMP, a type of activity unit (TAU) equates to one business.

**9** The TAU is comprised of one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision. Where a business cannot supply adequate information for each industry, a TAU is formed which contains activity in more than one industry subdivision. These TAUs are classified according to the industry subdivision of the main activity. TAUs may have operations in one or more states/territories.

## EXPLANATORY NOTES *continued*

- STATISTICAL UNIT *continued* **10** The statistical unit referred to as a "business" thus consists of ABNs from the ATOMP and TAUs from the ABSMP.
- INTERPRETATION OF UNITS **11** It is possible for a business entity to register for a single ABN regardless of the number of commercial activities it undertakes. Alternatively, multiple commercial activities of a single business enterprise may be registered for separate ABNs, depending on the legal structure adopted by the enterprise. Hence where commercial activities are carried out by a number of different, but related entities, each entity may register for a separate ABN. Therefore, caution should be used in equating the number of businesses, represented by ABNs in this publication, with number of business operations.
- SCOPE **12** Counts of businesses produced from the ABSBR comprise actively trading businesses in the Australian economy. Actively trading businesses are:
- TAUs from the ABSMP (where activity is monitored by direct contact); and
  - ABNs from the ATOMP which are actively remitting in respect of a Goods and Services Tax Instalments Payer (GSTP) tax role. Limiting the scope to only businesses with a GSTP role means that only entities which are actively trading in goods or services are included.
- 13** The population includes employing and non-employing, single location and multiple location businesses.
- 14** Excluded from these counts are entities which are not considered to be actively trading in the market sector and as such are not considered to be businesses. These entities are classified to the following categories:
- Standard Institutional Sector Classification of Australia (SISCA):
    - 2100 Central Bank;
    - 3000 General Government;
    - 5000 Non-Profit Institutions Serving Households; and
    - 6000 Rest of the World.
  - Type of Legal Organisation (TOLO):
    - 12 Charitable Institution;
    - 15 Social and Sporting Clubs;
    - 16 Trade Unions and Other Associations;
    - 20 Other Unincorporated Entity;
    - 41 Diplomatic or Trade Missions; and
    - 42 Other Foreign Government.
  - ANZSIC Subdivision:
    - 96 Other Services; and
    - 97 Private Households Employing Staff.
- 15** The exclusion of General Government particularly affects data for Education and Health and Community Services (ANZSIC Divisions N and O, respectively).
- 16** Businesses which have not submitted a Business Activity Statement (BAS) for five quarters are treated as long term non-remitters as well as businesses which have returned a BAS but have reported zero dollar amounts. They are not actively remitting GST and, as such, they are considered not to be actively trading and are excluded from counts.
- COVERAGE **17** There are businesses which have not registered for an ABN, either because they do not have any obligations under the Goods and Services Taxation (GST) legislation or are under the threshold for registration and have chosen not to register. These businesses may be actively trading but cannot be identified or quantified and so are not included in counts presented in this publication.

## EXPLANATORY NOTES *continued*

### COMPARABILITY WITH FRAMES FOR ABS BUSINESS SURVEYS

**18** The basis for business counts in this release is broadly consistent with that for frames used in most ABS business surveys. There are two exceptions to this:

- The scope with regard to industry, sector or type of legal organisation can vary. In some cases, classifications excluded from these business counts are included in a survey frame in order to more comprehensively measure a particular part of the economy. Other survey frames may only include a subset of these classifications. Most frames currently include employing businesses only.
- Most survey frames include businesses with a tax role to withhold income tax from their employees (ITW role) but without a GST tax role. There are approximately 40,000 such businesses. Investigations indicate that units with an ITW role but no GST role are likely to be part of a complex business structure. Their exclusion from these counts is designed to prevent duplication in the counts. For business surveys designed to, amongst other things, provide estimates of wages and salaries paid, it is important that these businesses are included on frames.

### REFERENCE PERIOD

**19** Counts of businesses provided in the *Counts of Australian Businesses including Entries and Exits* suite of products are based on snapshots of the ABSBR as at 1 June 2003, 1 June 2004, 1 June 2005 and 1 June 2006 and of changes and continuity between those periods.

### BUSINESS LIFE CYCLE EVENTS

**20** This release contains not only snapshots of counts of active businesses at regular points in time but also provides a disaggregation of this count to enable the identification of the flows of businesses into and out of the economy and a measure of the length of time that businesses continue to survive.

**21** Business entry and exit counts are restricted to new or ceasing businesses. The counts do not include the establishment of new locations associated with an existing business.

**22** Over the course of a business' life cycle it is possible that its characteristics such as industry, employment size or business legal structure may change. However, investigations show that the majority of such changes to characteristics on the ABSBR are the result of previous errors being corrected rather than real world change. For reasons of data comparability and interpretation, changes over time to business characteristics will not be reflected in this publication. Counts of business entries, exits and stock for all referenced periods in this publication reflect the characteristics of the business as at June 2006, in the case of businesses which exited prior to June 2006, the latest available data is used.

#### *Entries*

**23** A business entry event is the registration of a new business for an ABN and the allocation of a GST role, or the allocation of a GST role to an existing ABN which previously did not have this role.

**24** Included will also be businesses which have previously exited and subsequently recommenced activity under their original ABN and GST role. Also included are a relatively small number of businesses which had ceased remitting but had recommenced remitting by the time of the next reference period. These two instances are termed "reactivations" and both contribute insignificantly to the various counts in this release.

**25** Thus, a business entry is defined as a business which is actively trading on the business register at 1 June in the reference year but was either not included or not actively trading at 1 June the previous year.

#### *Exits*

**26** A business exit event is the cancellation of the ABN and/or cessation of remitting GST in respect of that ABN.

## EXPLANATORY NOTES *continued*

### *Exits continued*

**27** Thus, a business exit is defined as a business which was actively trading on the business register at 1 June in the previous year but was either not included or not actively trading at 1 June in the reference year.

### *Survivals*

**28** A surviving business is defined as a business which continues to be active on the ABSBR at 1 June and was also previously active. In this release, two types of survivors are recorded:

**29** Businesses who were on the ABSBR at 1 June 2003. Due to the changed basis of the ABSBR, the ABS has determined that it is not feasible to ascertain the age of these businesses. The survival of these businesses is measured in terms of whether they were still on the ABSBR at 1 June 2004, 2005 or 2006, respectively.

**30** Businesses who were entries in 2003-04. That is, they were not actively trading at 1 June 2003 but were on 1 June 2004. The survival of these businesses is measured in terms of whether they were still on the ABSBR at 1 June 2005 or 2006, respectively.

### INTRA-YEAR ENTRIES AND EXITS

**31** It is possible that a business can enter after 1 June in a given year and exit before 1 June in the following year. An insignificant number of such instances occur in any given year. This release excludes those instances in order to assist interpretation of results.

### DATA QUALITY

**32** The counts in this publication may be subject to non-sampling error and the cyclical administrative workflows of the ATO may impact on data interpretability.

**33** The counts are not subject to sampling error as they represent a complete enumeration of those 'economically active' businesses on the ABSBR.

**34** For businesses in the ATOMP, most classificatory data items reflect information provided to the ATO at the time of ABN registration. The exception is Number of Payees, which is updated annually by the ATO, and turnover, which is based on BAS reporting. In the ABSMP, classificatory data items for the most significant businesses are updated annually. Businesses on the next level of significance are updated biennially. Other businesses in the ABSMP are not routinely updated, but may be updated as a result of ABS survey feedback or other maintenance activity.

**35** It is possible that a small proportion of businesses identified as "long term non-remitters" and which are excluded from counts, are in fact still actively trading. It is expected that these units will be identified and re-included in counts in subsequent periods when they recommence active remittance of GST.

**36** There is also the possibility that in future the inclusion/exclusion status of specific groups of businesses may change in light of improved identification of business activity. Counts are also subject to revision due to review and correction of classificatory information.

### BUSINESS SIZE

**37** The sizing classifications presented in this release are based on employment and turnover reported by businesses.

**38** Employing units are defined as:

- in the ATOMP, businesses with a non-cancelled ITW role and which have remitted to the ATO at least once in the preceding five quarters. Note that this may include a small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries, and as such have zero employment;
- in the ABSMP, businesses with greater than zero employees.

**39** The quantification of employment differs depending on the ABSBR population in which the business resides:

## EXPLANATORY NOTES *continued*

### BUSINESS SIZE *continued*

- in the ATOMP, businesses report "number of payees", defined as the estimated number of individuals to which payments are made. This will reflect the total number of persons employed by the business throughout the year rather than an estimate of current employees at a point in time. Payments to people under a voluntary agreement or labour hire arrangement are excluded;
- in the ABSMP, businesses report "employment" defined as the number of persons who work for a public or private employer and receive remuneration in wages or salaries (including working proprietors and working partners), or is paid a retainer fee by his/her employer. Employment excludes non-salaried directors; volunteers; persons paid by commission only; and self employed persons such as consultants and contractors.

**40** Turnover is based on data reported to the ATO on Business Activity Statements (BAS) and includes imputation for missing periods. For businesses in the ABSMP, turnover reported on BAS for ABNs is apportioned to the relevant TAUs.

**41** Turnover has only been properly estimated for businesses who were on the ABSBR from 1 June 2004. As noted in Paragraph 22, all classifications have been held constant and so businesses on the ABSBR at 1 June 2003 who were also present in later periods have a turnover figure of comparable quality to units who entered in later periods. However, turnover has been imputed for businesses who were present at 1 June 2003 but who exited before 1 June 2004. For most of these businesses, auxiliary information such as employment has allowed imputation of sufficient quality for the purposes of these turnover size ranges. For a small number of businesses, no such auxiliary information was available and so these businesses have been classified at random in accordance with the distribution of businesses which were operating at the start of the 2003-04 financial year. As such, comparisons between years of exits by turnover size should be treated with caution.

### MAIN STATE

**42** Businesses can operate in more than one state/territory. For businesses in the ATOMP, Main State is derived from the main business address. For businesses in the ABSMP, Main State is the state or territory with the highest employment. Therefore, for some businesses in the ABSMP, Main State is not necessarily the state or territory of the main business address.

### INDUSTRY

**43** Each ABN unit or TAU on the ABSBR has been classified (by the ATO and the ABS respectively) to a single industry class, irrespective of any diversity of activities undertaken. The industry class allocated is the one which provides the main source of income, which is generally based on a description provided by the business.

### CONFIDENTIALITY

**44** The data presented in tables have been confidentialised to ensure no individual business can be identified. The confidentialising process applied maximises the availability of data without introducing any notable bias to the estimates.

### COMPARISON WITH OTHER BUSINESS COUNTS DATA

**45** Estimates of the number of businesses operating in the Australian economy may be derived from a number of sources within the ABS or from non-ABS sources. They may relate to a point in time, or may be average annual data. These estimates will not always show the same results. Variations occur because of the differing data sources, differing definitions of a business, differing scope and coverage between surveys, as well as variations due to sampling and non-sampling errors.

**46** The definition of employing/non-employing in the ABS can also vary according to collection methodology, data sources, and user requirements and uses.

**47** Users comparing data from this publication with other ABS data should do so with care, as some other ABS publications may exclude non-employing businesses or particular industries or sectors.

## EXPLANATORY NOTES *continued*

### COMPARISON WITH OTHER BUSINESS COUNTS DATA *continued*

**48** Counts of businesses included in this publication are not comparable with those provided in Australian *Bureau of Statistics Business Register, Counts of Businesses* (cat. no. 8161.0.55.001, 002 and 003) due to differences in the scope of units included. The primary scope difference between this publication and 8161.0.55.001 is that the latter included all businesses with any one or more non-cancelled tax role. These roles included GST, ITW and ITIP. The scope of counts in this publication only includes businesses which are actively remitting GST. Therefore, entities with only an ITIP or ITW tax role, or which have not remitted GST in the previous 5 quarters are excluded from the counts on the basis that these are not actively trading businesses.

**49** Counts of business entries and exits included in this publication are not comparable with those previously released in *Experimental Estimates, Entries and Exits of Business Entities* (cat. no. 8160.0.55.001). Previous estimates were based on registered ABN units only, not on businesses as defined by the ABS (see Paragraphs 6-10 (Statistical Unit)). Included were all units with any non-cancelled tax role. In addition, cat. no. 8160.0.55.001 separately identified reactivated business entities. A "reactivation" was a previously identified exit that had subsequently revived its ABN and tax role(s). These reactivated business entities were not considered business entries but were included in stock estimates. In this publication "reactivated" businesses have been included in entry counts in the period in which their ABN again became active and they recommenced remitting GST.

**50** For further details see the Explanatory Notes section of the relevant publications.

### ADDITIONAL DATA

**51** Further detailed data (with more detailed industry and size breakdowns) will be available in the extended spreadsheets which will accompany the release of this publication through [www.abs.gov.au](http://www.abs.gov.au). Detailed cross-classified data cubes will be available on the ABS web site from April 2007.

### ABS DATA AVAILABLE ON REQUEST

**52** As well as the statistics included in this and related publications, the ABS may have other relevant data available on request and for a charge. Inquiries should be made to the ABS National Information and Referral Service on 1300 135 070.

**53** Information is also available on-line via a selection of industry-specific theme pages. To access these theme pages, go to the ABS web site home page <[www.abs.gov.au](http://www.abs.gov.au)>. Open the Industry link shown under THEMES (located in the left-side navigator 'Quick links'), then select one of the links shown under Industry.

### ABBREVIATIONS

\$k	thousand dollars
\$m	million dollars
ABN	Australian Business Number
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ABSBR	Australian Bureau of Statistics Business Register
ABSMP	Australian Bureau of Statistics maintained population
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
ATOMP	Australian Taxation Office maintained population
BAS	Business Activity Statement
GST	goods and services tax
GSTP	goods and services tax payer
ITIP	income tax instalment payer
ITW	income tax withholding

## EXPLANATORY NOTES *continued*

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no.	number
SISCA	Standard Institutional Sector Classification of Australia
TAU	type of activity unit
TOLO	Type of Legal Organisation



## APPENDIX ABS BUSINESS COUNTS

*The following appendix provides a brief history of ABS business counts and discusses planned future developments.*

### INTRODUCTION

The ABS has been producing business counts for many years. These have either been as direct counts of businesses, as by-product from survey processing, or a combination of the two.

Over that time, the scope and coverage of businesses included in those counts has changed significantly.

Counts included in this release are a relevant source for users interested in understanding the number of businesses actively producing or distributing goods or providing services in the Australian economy. Nevertheless, these counts are still subject to error, mainly due to difficulties in accurately identifying when businesses have ceased trading. While the ABS will retain the conceptual basis of these current counts in future releases, continuing refinements will be made in an effort to reduce these errors. This article discusses the errors in these counts and ABS plans to reduce these errors.

### COUNTS FROM THE ABS BUSINESS REGISTER PRIOR TO 2002

The ABS has maintained an integrated business register (the ABSBR) since the development phase of the first Integrated Economic Censuses conducted in respect of 1968-69.

From the amendment of the Income Tax Assessment Act in 1986 until 2002, this was primarily sourced from Group Employer (GE) registrations with the Australian Taxation Office (the ATO). When a business commenced employing staff, a GE registration was required to enable the business to deduct income tax from its employees.

No comprehensive register of non-employing businesses was maintained by any government organisation and nor did the ABS seek to create such a register.

As such, any business counts produced from the ABSBR prior to 2002 included employing businesses only.

A further short-coming in these counts was that proper recording of businesses which had commenced, ceased or continued operation did not occur consistently over time. For example, a units survey in 1991 identified a significant number of businesses which had previously been included on the ABSBR but which had ceased operation. These businesses were subsequently deceased on the ABSBR. In 1996, a survey of businesses which had been deceased as a result of feedback from survey processing identified a significant number of businesses which were in fact still alive.

In both these cases and other in similar instances over time, ABS economic statistics were backcast to adjust for these effects over time.

### COUNTS INCLUDED IN SMALL BUSINESS IN AUSTRALIA

The ABS first released *Small Business in Australia* (cat no 1321.0) in 1988. This compendium release included a range of statistics about small businesses.

Non-employing businesses (such as self-employed tradespeople) are a significant component of the small business sector. As such, it was important to include both counts and characteristics of these in *Small Business in Australia*.

These counts were derived from the monthly Labour Force Survey (LFS) and were progressively updated until the final issue of *Small Business in Australia* in 2001. To produce a comprehensive count of small businesses, the LFS-sourced counts of non-employers were added to counts of employing businesses sourced from the *Survey of Employment and Earnings* (which used the ABSBR as a frame). The counts of small businesses thus stood at approximately 1.2 million in 2001.

The counts of non-employing businesses were almost certainly significantly understated for two reasons:

## APPENDIX ABS BUSINESS COUNTS *continued*

### COUNTS INCLUDED IN SMALL BUSINESS IN AUSTRALIA *continued*

- those counts do not fully capture businesses operated by people whose predominant labour force status is other than a small business operator; and
- those counts do not fully capture multiple businesses owned by one operator.

However, it has never been possible to accurately quantify this understatement and so no attempt at adjustment was ever made.

### COUNTS RELEASED IN 2005

From 2002, the ABS changed the basis of the ABSBR from GE registrations to ABN registrations sourced from the Australian Business Register (ABR). From the introduction of the new tax system in July 2000, businesses required to remit GST, deduct income tax from employees or to participate in several other aspects of the tax system were required to register for an ABN on the Australian Business Register.

The ABS released experimental estimates of business entries and exits and the first counts from the ABR-based ABSBR in 2005.

The release *Australian Bureau of Statistics Business Register, Counts of Businesses* (cat. no. 8161.0.55.001), released in October 2005, showed some 3 million businesses operating as at June 2004, 2.9 million of which were small businesses.

These counts significantly overstated the number of businesses actively producing or distributing goods or providing services in the Australian economy for two reasons:

- they included businesses which did not have a GST role and whose only tax role was to enable the payment of Income Tax Installment Provisions. Subsequent investigations indicate that these entities tend to be investment vehicles rather than trading businesses; and
- they also included businesses with a GST role but which had not remitted GST obligations for at least 5 quarters. These businesses have been termed "long-term non-remitters" (LTNRs). Subsequent investigations indicate that the majority of these businesses were no longer active.

Both categories of businesses - which in combination (noting some overlap) contributed over 1 million to these previously-released counts - have been excluded from the counts in this release.

### COUNTS PRODUCED FROM ABS BUSINESS SURVEYS

Over the period since 1968-69, several ABS business surveys, using the ABSBR to provide a survey frame, produced counts of businesses as by-product from survey processing.

These counts were consistent with business counts sourced directly from the ABSBR except they were adjusted to account for businesses identified in survey processing as no longer operating.

### LIKELY SOURCES OF ERROR IN THE COUNTS IN THIS RELEASE AND FUTURE DEVELOPMENTS

The counts in this release are intended to provide an accurate measure of actively trading businesses. That is, the businesses are all producing or distributing goods or providing services (defined by a GST role) and are active (defined as having remitted GST obligations within the past 5 quarters).

There are, however, three sources of error which mean that these counts are not a perfect measure of the number of actively trading businesses at any point in time:

#### *Businesses with low turnover*

Businesses with turnover of at least \$50,000 per annum (\$100,000 in the case of non-profit organisations) are required to register for an ABN and remit GST. Businesses with turnover under \$50,000 are able to voluntarily register and these voluntarily-registered businesses are included in the counts in this release. There are certainly, however, businesses that are actively trading with turnover of less than \$50,000 which have chosen not to register for an ABN or remit GST. The number of businesses in this category is currently unknown to the ABS. The ABS will continue to explore alternative data sources to ascertain whether these businesses can be accurately recorded.

## APPENDIX ABS BUSINESS COUNTS *continued*

*Businesses which have recently ceased trading*

An analysis of recent ABS surveys indicates that a proportion of businesses which have remitted GST within the most recent five quarters of the end of the reference period had in fact ceased operation by the end of the reference period. The exclusion of LTNRs from the counts in this release thus excludes the majority of but not all businesses who have ceased trading. Investigations will continue in order to ascertain whether it is possible to identify these businesses using either existing data sources or alternative data sources.

*Businesses which appeared to have ceased trading but are likely to be active*

Conversely, investigations show that a relatively small proportion - 15% on average - of businesses identified as LTNRs at a point in time and thus excluded from these counts recommence remitting at a later date. At this stage, it is not clear whether these businesses were not active during the period (in which case their exclusion provides an accurate count) or were actively trading but failing to remit their GST obligations (in which case they were incorrectly excluded). Investigations will also continue into this group of units.

The ABS believes that the above sources of error are likely to have a relatively insignificant impact on the accuracy of the business counts contained in this release.

A COMPREHENSIVE COUNT  
OF ALL ECONOMICALLY  
ACTIVE ENTITIES

Ideally, the ABS would capture all economically active entities in Australia. These would then be split by actively trading businesses and other entities. The inclusion of businesses registered for an ABN and with asset holdings and consequent income flows but which did not trade in goods or services was an attempt, in part, to provide this more comprehensive view.

However, it is not possible to accurately capture all such entities at this stage as there are a number of options open to these entities with regard to registration or participation in the tax system. Using existing data sources, partial coverage only of these entities is possible and it is not possible to quantify the extent of this partial coverage.

The ABS will continue to investigate whether more comprehensive coverage of these businesses is possible.

Until such time, counts of businesses produced by the ABS will be restricted to businesses which are actively trading in goods or services. This will also be the basis of the frames used in ABS business surveys from now on.

## GLOSSARY

<b>Australian Business Number (ABN)</b>	<p>The ABN is a unique business entity identifier introduced to assist with dealings with the Australian government. A business entity is entitled to an ABN if it meets one of the following criteria:</p> <ul style="list-style-type: none"><li>■ a company registered under corporations law in Australia;</li><li>■ a government department or agency; or</li><li>■ an entity carrying on an enterprise in Australia.</li></ul> <p>The ABN is the statistical unit used to represent businesses, and for which statistics are reported, in most cases. The ABN unit is the business unit which has registered for an ABN, and thus appears on the Australian Tax Office (ATO) administered ABR. In most cases, the ABN unit represents the legal entity. This unit is suitable for ABS statistical needs when the business is simple in structure. For more significant and diverse businesses where the ABN unit is not suitable for ABS statistical needs, the statistical unit used is the Type of Activity Unit (TAU).</p>
<b>Australian Bureau of Statistics Business Register (ABSBR)</b>	<p>The ABSBR is a register of all Australian businesses and contains identifying and classificatory data for each business. Information to populate the register is largely sourced from the ABR. The ABSBR is used as a source for survey frames and counts.</p> <p>The ABSBR consists of two sub-populations, the Australian Bureau of Statistics maintained population (ABSMP) and the Australian Tax Office maintained population (ATOMP). The ABSBR uses an economic statistics unit model to describe the characteristics of businesses and the structural relationships between related businesses. For details, refer to paragraphs 6 to 10 of the Explanatory Notes.</p>
<b>Business</b>	<p>The statistical unit referred to as a "business" consists of ABNs from the ATOMP and TAUs from the ABSMP.</p>
<b>Business Entry</b>	<p>A business which has newly registered for an ABN and which has a GST role allocated. Business entry rates are calculated by taking the total business entries during a financial year divided by the total businesses operating at the start of the financial year, multiplied by 100.</p>
<b>Business Exit</b>	<p>A business for which the ABN has been cancelled and/or which has ceased to remit GST for 5 consecutive quarters or for which the GST role has been cancelled. Business exit rates are calculated by taking the total business exits during the financial year divided by the total businesses operating at the start of the financial year, multiplied by 100.</p>
<b>Business Survivor</b>	<p>A business which was actively trading in year xx and continued to be trading in year xx+n.</p>
<b>Closing stock</b>	<p>The count of businesses operating at the end of the financial year.</p>
<b>Employment size ranges</b>	<p>For the purposes of the <i>Counts of Australian Businesses including Entries and Exits</i> publication, businesses are categorised as:</p> <ul style="list-style-type: none"><li>■ employing businesses:<ul style="list-style-type: none"><li>■ employment of 200 or more persons ("large employing businesses")</li><li>■ employment of 20 to fewer than 200 persons ("medium employing businesses")</li><li>■ employment of fewer than 20 persons ("small employing businesses")</li></ul></li><li>■ non-employing businesses.</li></ul> <p>In the ATOMP, businesses with an active ITW role are considered to be employing, resulting in some employing businesses having zero employment.</p> <p>Employing businesses in the ATOMP that have not remitted Business Activity Statement (BAS) data for their ITW role for five consecutive quarters prior to the reference period are deemed to be long term non-remitters. These businesses are counted as non-employing businesses.</p>

## GLOSSARY *continued*

<b>Industry (ANZSIC)</b>	Businesses have been classified according to their description of activities. Businesses are coded to industries in the <i>Australian and New Zealand Standard Industrial Classification 1993</i> (ANZSIC) which is a classification system for grouping producing businesses (of both goods and services) in Australia and New Zealand to permit comparability of data. Within ANZSIC, there is a structure comprising four levels ranging from industry division (broadest level) to the industry class (finest level). For more information, users should refer to the <i>Australian and New Zealand Standard Industrial Classification 1993</i> (CAT. NO. 1292.0).
<b>Industry class</b>	At the industry class level, the activities of businesses are narrowly defined and recognised by a four-digit code, e.g. Industry Class 2331 for Pulp, Paper and Paperboard Manufacturing.
<b>Industry division</b>	The main purpose of the industry division level is to provide a limited number of categories which give a broad overall picture of the economy. There are 17 divisions within ANZSIC each identified by an alphabetical letter, that is, 'A' for Agriculture, Forestry and Fishing, 'B' for Mining, 'C' for Manufacturing, etc.
<b>Industry group</b>	This is the intermediate level within an industry division of ANZSIC and is recognised by a three-digit code, e.g. Industry Group 233 for Paper and Paper Product Manufacturing. It gives more detail than the industry subdivision and is created in a way that groups like industry classes together.
<b>Industry subdivision</b>	This is the broadest level category within an industry division of ANZSIC and is recognised by a two-digit code, e.g. Industry Subdivision 23 for Wood and Paper Product Manufacturing. Industry subdivisions are built up from industry groups which, in turn, are built up from industry classes.
<b>Main business address</b>	The main business address of a business relates to the physical address where the main business activity takes place. The individual addresses of businesses with multiple locations are not available.
<b>Main State</b>	For businesses in the ATOMP, Main State refers to the state or territory of the main business address. For businesses in the ABSMP, Main State refers to the state or territory with the highest employment.
<b>Multi-State</b>	Refers to those businesses which operate from locations in more than one state or territory.
<b>Non-employing business</b>	A business without an active ITW role or which has not remitted ITW for 5 consecutive quarters.
<b>Opening stock</b>	The count of businesses operating at the beginning of the financial year.
<b>Single-State</b>	Refers to a business which operates from locations in only one state or territory.
<b>Standard Institutional Sector Classification of Australia (SISCA)</b>	The SISCA is the central classification among ABS' STANDARD ECONOMIC SECTOR CLASSIFICATIONS. It is based on the <i>System of National Accounts 1993 (SNA93)</i> institutional sector classification, and includes the following sectors: non-financial corporations, financial corporations, general government, households, non-profit institutions serving households, and rest of the world (which includes only non-resident units, these being excluded from all other sectors). For more information, users should refer to the <i>Standard Economic Sector Classifications of Australia (SESCA)</i> (cat. no. 1218.0).
<b>Turnover</b>	The total revenue generated by a business from the provision of goods and services for a given accounting period.
<b>Type of Activity Unit (TAU)</b>	The TAU, residing in the ABSMP, is comprised of one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities when a minimum set of data items are available. For further information, refer to paragraph 6-10 of the Explanatory Notes.

**GLOSSARY** *continued*

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**Type of Legal Organisation (TOLO)** All legal entities on the ABSBR are classified according to their TOLO. Examples of types of legal entities recognised for statistical purposes are companies, partnerships, trusts, sole proprietorship, government departments and statutory authorities. TOLO indicates whether a business is part of the private or government sector and the type of ownership structure it has.



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ISSN 1833 7503

RRP \$25.00