

**EXTERNAL**

Conference attendees

micro businesses

November 2009

SEGMENT

AUDIENCE

SUBJECT

DATE



**Australian Government**

**Australian Taxation Office**

# Talking to micro businesses about their tax affairs

---

**PRESENTED BY**  
**Fay Styman**  
**Assistant Commissioner**  
**ATO Strategic Communications**

# Micro business profile

- 2.7 million micros consists of 51% individuals, 17% companies, 14% trusts, 10% partnerships, 8% super funds
- \$35 billion in net tax contributed by micros which is 36% of total net tax
- 95% lodge income tax returns through a tax agent
- 20% of micros are not considered to be in business
- Micros have 63% of all debt with 20% of this is in the construction industry
- 33% of micro businesses are aged over 10 years
- Approx 19% of entities employ staff, of these 47% employ up to 5 people
- Majority of micros are located in NSW, followed by VIC and QLD

# Compliance approach

The Tax Office has two levers it can use to influence compliance:

1. Active compliance
2. Practical assistance

**Figure 1 User-based design of communications strategies and products**

Business events	Choose entity type	Choose accountant, bookkeeper	Register	Buy/lease things for business	Establish RK & invoicing systems	Sell goods and services	Pay yourself	Employ people	Dispose of assets	Change business / cease trading	Quarterly/ monthly tax tasks	Annual tax tasks
Key influence points	New to business			Establish business		Transact	Employing people		Selling assets	Changing or ceasing business		
Key communications strategies	Online			Online			Online				Online	Online
	Debt			Debt		Debt	Debt		Debt	Debt	Debt	Debt
	Cash economy			Cash economy		CE	Cash economy		CE			
	Home based business			Home based business					HBB	HBB		
	New to business			New to business								
				Record keeping		RK	RK		RK		RK	RK
	Bookkeepers			Bookkeepers		BKs	Bookkeepers		BKs		BKs	BKs
	Employer obligations			Employer obligations			Employer obligations				Employer	Employer
<b>Overarching marketing communications strategy for the micro segment</b>												
Tax events			Register ABN, GST; get online certificate	Deductions, FBT, depreciation	Record keeping – BAS, ITR, bus portal	GST, record keeping, excise	PAYGI, PAYGw, super, FBT	PAYGw, super, FBT	CGT, deductions	ITR?	BAS – GST, PAYGI, PAYGw, FBT	ITR, FBT, GST, PAYGw
ATO business priorities				Record keeping	Record keeping	Record keeping	Record keeping	Record keeping	Record keeping		Record keeping	Record keeping
			Debt		Debt	Debt	Debt	Debt	Debt	Debt	Debt	Debt
			Online		Online		Online	Online			Online	Online
			Cash economy	Cash economy	Cash economy	Cash economy	Cash economy	Cash economy	Cash economy			
Other ATO risks (incomplete)	Service trusts	Aggressive tax planning	Registration Lodgment obligations Cash economy	SB compliance Cash economy	RK Cash economy Failure to pay on time	Fuel Excise Reform Excise Cash economy Tobacco		SG, SMSFs PAYGw	CGT		Lodgment obligations Failure to pay	Lodgment obligations Refund integrity Failure to pay

# The ostrich



## Unconscious incompetence

Don't know that they don't know

- Ignore or retreat
- Reactive
- Apathy

*“Feel they are probably paying too much tax but do not have the motivation to do anything about it”*

- ▶ Need for problem recognition to change compliance habits

c

# The duckling



## Conscious incompetence

Know what they don't know

- Open to suggestion
- Simple needs
- Looking for direction and reassurance
- Scared, uncomfortable
- ▶ Ignorant but willing (compliant)

# The rottweiler



## Conscious competence

Know that they don't know

- Rigorous attention to detail
- Skeptical
- Control freak
  - “*Want to understand the tax system better*”
- ▶ Need to make online channel more effective to reduce reliance on phone.

# The tiger



## Conscious incompetence

Know what they don't know

- Confident
- Business savvy
- Proactive
- Delegate
- Seek professional advice proactively
- ‘Working the tax system ‘ for maximum benefit
- ▶ Need to communicate clear benefit to reconsider habits

## Key insights about micro business

- **Independence** is their underlying motivation and source of satisfaction
- Maintaining '**control**' is a desirable and/or necessary by product of that
  - Not good delegators
- **Under-confident** generally about their ability to manage the financial/tax side of business
  - Less educated, street wise not intellectual
- Gen Y increasingly want to work for themselves - be in control of their destiny (financially savvy)

**Tax Office needs to empower practically and emotionally**

## Key insights about micro business (cont)

- Strong personal identification with work – ‘made me who I am today ‘
- **Fear of failure** is never far away and can seem ‘catastrophic ‘
  - lead to ‘head in the sand ‘mentality
  - **Ignorance** – through ‘lack of understanding, fear or denial and **financial difficulty** are key causes of non compliance
- Early intervention is key
  - Respond to positive rather than negative incentives

**Tax Office needs to be seen foremost as assisting rather than policing**

# Business lifecycle

## START UPS

New /Experience

- Open to learn
- Similar basic needs
- Intense support initially
- Opportunity to create positive view of Tax Office
- Benefit from direct, personal recognition and communication

## GROWING (or Downsizing)

- Resigned to change
- High level needs
- Quick and timely responses
- Need answers
- Key concerns
  - Employees and future tax implications of their business decisions

## MANAGING

- Closed to change
- Few needs except for updates
- Harder to reach

# Three key pillars

<b>KNOWLEDGE</b> Awareness Understanding Relevance	<b>CAPABILITY</b> Competence Facilitation	<b>REASSURANCE</b> Reinforcement Recognition
<ul style="list-style-type: none"><li>▪ Need answers</li><li>▪ Right language</li></ul>	<ul style="list-style-type: none"><li>▪ Tools</li><li>▪ Education - Step by step guide,<ul style="list-style-type: none"><li>▪ visual demonstrations</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ Personal communication</li><li>▪ Encouragement</li><li>▪ Affirmation</li></ul>
<ul style="list-style-type: none"><li>▪ <b>What do I need to do/know?</b></li><li>▪ <b>By when?</b></li><li>▪ <b>Why- consequences of action/ inaction?</b></li><li>▪ <b>What's right for my business?</b></li></ul>	<ul style="list-style-type: none"><li>▪ <b>Support- /helpline</b></li><li>▪ <b>How do I do it?</b></li><li>▪ <b>Who do I turn to if I have problems?</b></li></ul>	<ul style="list-style-type: none"><li>▪ <b>Have I done it right?</b></li><li>▪ <b>I feel in control</b></li></ul>

# Conclusions and recommendations

- The Tax Office needs to empower micros to meet their desire for control and independence by providing the right tools, education and confidence to manage their own tax affairs.
- Micros have three fundamental needs in the way of tax support to help improve compliance and these form the 3 basic pillars of the recommended Framework – **Knowledge, Capability and Reassurance**
- Specific product and services are best tailored for the business lifecycle:
  - *Start Ups*- new to business and existing experience have similar needs
  - *Growing business*
  - *Managing*
- Practical assistance from the Tax Office and a more ‘human face’ help to encourage micros to seek help and support early, ameliorating financial/tax difficulties

# Conclusions and recommendations

- Community networks ( ie industry groups and small business networks) are as important as professionals in providing tax information advice and support
  - Key source for the more day-to day questions.
- Language and tone is critical in effectively communicating with this segment
  - Plain, simple, concise language in easy to digest format.
- Consider differentiating practical assistance from compliance to overcome some of the barriers micros have in dealing with the Tax Office.
- SBAP and Commissioner's Guarantee have strongest potential to communicate the Tax Office as a supportive and approachable entity for micros.
- Migration to online BAS will present a challenge unless improvements to the DC process are made and clearly communicated.











































































# Where to from here?



## The Framework

<b>MISSION</b>	Providing education and practical assistance to empower you to take control of your tax; to help make it easier, cheaper and more personalized for you and your business						
<b>VALUES</b>	Education, Assistance, Confidentiality , Respect						
<b>PILLARS</b>	<b>KNOWLEDGE</b>			<b>CAPABILITY</b>		<b>REASSURANCE</b>	
<b>MICRO'S NEEDS</b>	AWARENESS	UNDERSTANDING	RELEVANCE	COMPETENCE	FACILITATION	REINFORCEMENT	RECOGNITION
<b>Key Triggers</b>	What do I need to do/know? When?	Why? What are the consequences of action/inaction?	What's right for my business?	How do I do it?	Who do I turn to if I have problems?	Have I done it right? How do I know?	I feel in control
<b>CURRENT SERVICES</b>							
<b>Start ups</b>	Starter Packs Checklists Calendar	SBAP Seminars		Step 1-2-3 guide Calculators and tools	Helpline	Commissioners Guarantee	
				eRecords			
<b>Growing/ Managing</b>	Website	Seminars SBAP		Small Business assistance program			
				Online BAS	Helpline		
<b>NEW SERVICE IDEAS</b>							
	Email tax updates			Follow up calls for Startups	Online webchats	Anonymous question line	
<b>SOCIAL AND DIGITAL MEDIA</b>	Education through Industry bodies					Confirmation emails/phonecall	14
	Questions for your Accountants/Bookkeepers						
	Industry Specific Software						

# INTEGRATED SERVICE OFFER PRODUCT MAP

MICRO BUSINESS NEED	PRODUCTS AND SERVICES	CHANNELS	BUSINESS LIFE CYCLE				
			New to business	Growing your business	Managing your business	Difficulty with your business	Ceasing your business
<b>KNOWLEDGE</b>	Income tax deduction for small business	 	●				
	Checklist for people starting a new business	 	●				
	Carrying a business at or from your home, Introduction to home based work, Home-based business, You have a home based work area and Your home is the principle place of business	 	●				
	New to business frequently asked questions		●				
	How to apply for a private ruling	 		●			
	From apprentice to business owner		●				
	Choosing the right business structure		●				
	Free record keeping workshops for small business		●				
	Record keeping for small business guide	 	●				
	Closing / selling your business checklist	 					●
	Selling or ceasing your business	 					●
	Have you stopped running a business?						●
	How healthy are your records?	 		●			
	Industry record keeping guides (wholesale, retail, service, pubs and clubs and restaurants & catering industries)	 	●	●			
	Your small business tax calendar	 	●				
	ato.gov.au / business	 	●				●
	Tax basics for small business program	  	●	●			●
	Activity statement update	 	●	●	●		
	Take control of your tax	 	●	●			
	Promotions	 	●	●			
Promotional material for business support and phone service	 	●	●				
<b>KNOWLEDGE &amp; CAPABILITY</b>	Payment services (Bpay/direct debit/credit/ mail)	  	●	●	●	●	●
	Registrations	 	●				
	New to Business Intensive Assistance program (Outbound call program)	 	●				
	ato.gov.au/online services	 	●	●			
	PAYG withholding, superannuation, FBT, ETPs & RBLs	 	●	●			
	Business support service -interpreter, on site visits, local seminars & workshops	  	●	●			
	Business tax phone service - interpreter, phone service including registration, lodgement and account enquiries	 	●	●			
	Income tax return lodgement service – Partnership, company and trust returns and instructions		●	●	●	●	●
<b>CAPABILITY</b>	Activity statement lodgement and payment - GST, FBT, PAYGE, income tax instalments and income tax withholding	  	●	●	●	●	●
	E-record CD	 	●	●			
	E-record electronic record keeping	 	●	●			
	Record keeping evaluation tool	 	●	●			
	Calculators and tools	 	●	●	●		
<b>CAPABILITY &amp; REASSURANCE</b>	Income tax return lodgement service – Individual return and instructions (etax and tax pack)	 	●	●	●	●	●
	Commissioner's guarantee	 	●				
	SMS lodgement and payment reminders	 				●	
<b>ALL</b>	Private rulings Business portal	 	●	●	●		

Talking to micro businesses

# ATO Website

## BARRIER TO UPTAKE OF SERVICES

- Some had never visited – need to give people confidence they will be able to understand it
- Information dump
  - Comprehensive but not user friendly
- Ill-suited for micro business
  - Separate and dedicated interface that looks and talks to them in their language
- Need initial “hand holding”

# Lodging BAS using the business portal

## BARRIERS

- Poor experience with digital certificate process
  - All lapsed users
  - Most negative are those who never got on
- Few perceived benefits
  - Inertia and apathy
- Digital certificate (security) process over complicated
- Technical improvements - will help but not motivating enough key

Assistance visits for small business - Microsoft Internet Explorer provided by ATO

File Edit View Favorites Tools Help

Address <http://atogovau/businesses/content.asp?doc=/content/77828.htm> Go Links

Australian Government  
Australian Taxation Office **Businesses**

What's new Subscribe About us Contact us Feedback Links

Search Businesses for  Search tips

Booklets & publications A - Z index Site map Definitions Your rights

**Your business tax**

- Activity Statement >
- Preparing statements & returns >
- Operating a business >
- What you can claim >
- Industries & business types >

**What you can do**

- Rates, calculators & tools
- Forms and services >
- Objections, amendments, reviews >

**Tax topics explained**

- ABN >
- Capital allowances >
- Capital gains >
- Excise >
- Fringe Benefits >
- Fuel schemes >
- GST >
- Income tax for business >
- International tax >
- Pay as you go (PAYG) >
- Personal services income >
- Investments, shares & options >
- Simplified tax system (STS) >
- Superannuation >

**Rulings, policies & law**

- Rulings, policies & law >

**You are here:** Home > Businesses > New to business tax - Starting a business > Basic topics > Getting started

## Assistance visits for small business


Free and helpful tax assistance – no strings attached

### What is an assistance visit?

To help make it as easy as possible for you to comply with your tax and superannuation obligations, we provide a free and tailored assistance service. Visits are conducted by tax officers at your place of business or preferred location. At this meeting, we will work through and discuss specific tax information of interest to you. Some topics include:

- registering for an Australian business number (ABN)
- understanding and registering for the goods and services tax (GST)
- understanding employer obligations (pay as you go withholding, superannuation guarantee, and fringe benefits tax)
- understanding superannuation obligations
- understanding activity statement and record keeping requirements and make use of electronic products such as [e-record](#)
- understanding the range of other taxes and obligations that might apply to your business, and
- Lodging activity statements online via the [Business Portal](#) (includes set up and registration).

To view a short video (two minutes and five seconds), and find out more about what an assistance visit entails, click on the image below.



If you are setting up a new business, making changes to an existing business (for example, taking on employees), or just need some business tax help, our officers can help you to understand your specific tax obligations and what you need to do.

**More** We can also help you set up and install useful programs, such as the Tax Office's [Business Portal](#) which is a fast, convenient and secure way for you to lodge and view activity statements, request refunds and communicate with us on specific topics.

<http://atogovau/businesses/content.asp?doc=/content/77828.htm#> Local intranet

Employee/contractor decision tool - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address <http://www.ato.gov.au/businesses/content.asp?doc=/content/00095062.htm>

Careers centre About us Contact us What's new Feedback A-Z index Subscribe

Australian Government  
Australian Taxation Office

Search for  Search

In:  ato.gov.au  Businesses section only

Advanced search Search tips

Home Individuals Businesses Non-Profit Government Tax Professionals Super Funds

What do you want to do?

- Lodge a business activity statement (BAS)
- Lodge another statement or return
- Pay staff
- Apply for an ABN, TFN or other registration
- Make a tax payment
- Find a rate or calculator
- Find a form or publication
- Fix a problem
- Get help

Your business situation

Tax topics A-Z

Law, rulings & policy

Compliance issues

Consultation

## Employee/contractor decision tool

### What is the employee/contractor decision tool?

The decision tool is designed to help you (as a payer) understand whether your **individual** workers are employees or contractors in order to comply with your Commonwealth tax and superannuation obligations. It is **not** designed for situations where you enter into an agreement with a company, partnership or trust for them to provide a worker, or obtain workers through an intermediary such as a labour hire firm, or where you are a labour hire firm.

**ATTENTION**  
This decision tool is intended to be used by the person or business who engages and pays the worker.

Once you have answered a series of questions, you will be provided a report which will give:

- a decision of employee or contractor (for Commonwealth taxation and superannuation purposes) for this particular arrangement
- a summary of the information you have provided
- the basis of the decision, and
- a summary of your Commonwealth taxation and superannuation obligations relating to the worker.

You will remain anonymous at all times. No personal information will be transmitted to the Tax Office.

### Important information

- This tool provides guidance on:
  - the status of a worker – or class of workers – under the laws administered by the Commissioner of Taxation, and
  - payer Commonwealth taxation and superannuation obligations.
- The tool does not provide guidance on your obligations under state and territory legislation – for example, payroll tax obligations.
- Provided your answers reflect the actual circumstances of the arrangement, we will not charge you a penalty that might otherwise apply.
- We have made every effort, including consultation with community groups and tax professionals, to make sure this decision tool reflects commercial practices.

Are you engaging a worker in the building and construction industry, [Yes](#) or [No](#)?

Last Modified: Friday, 5 June 2009

[Give us your feedback](#)

Trusted sites

<http://www.ato.gov.au/businesses/ml.asp?43228>

start | Inboxes | Fax Receive... | FW: Staff Ma... | Employee/co... | Information... | Document1 - ... | Microsoft Off... | 10:56

# Key insights about micro business



*“Even though you have just as much work or even more work and the lack of security (that comes with a wage), at least it is your own stress and responsibility and you feel some level of control over this. It can be empowering”*

*“Going into business for myself really changed me and who I am. I guess it really made me develop as a person ..... I had to grow up essentially”*



*“I just can’t imagine working for anybody else, having to do what they say”*

# Micro debt in the global recession

Our practical assistance includes:

- Fast tracking refunds
- Giving business more time to meet activity statement and other obligations, without penalties
- Allowing extra time to pay tax debts without any general interest charge
- Allowing taxpayers to pay their tax debt by instalments over time, and remitting penalties and interest.

# A final word

