



Australian Government
Australian Taxation Office

Micro market research program

Profiling the micro market with a focus on competency

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Overview

- Micro market profile
- Research program
- Internal industry scans
- 4 pillars of tax compliance
- Micro business lifecycle
- Results
- Qualitative segmentation of micro business owners
- Questions



Micro market profile

- Micro market includes businesses with an annual turnover of up to \$2 million
- There are:
 - approximately 2.7 million micro businesses and almost 400,000 superannuation funds
 - more than 60% of total businesses in the property, building and construction, finance, professional and technical services, primary production and retail industries.



Research program

Step 1: Consolidate previous research for micro market

- research and analysis of the micro market

Step 2: Commissioned intelligence scans - top six industries

- intelligence scan - comparative analysis, focus on compliance

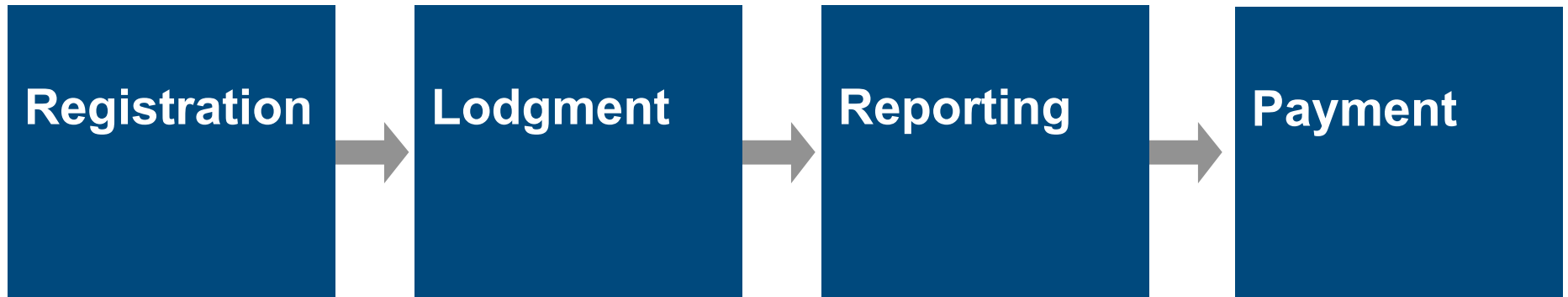
Step 3: Engage external research company

- marketing and education – micro market study, focus on competency completed by [GfK Bluemoon](#)

Internal industry scans

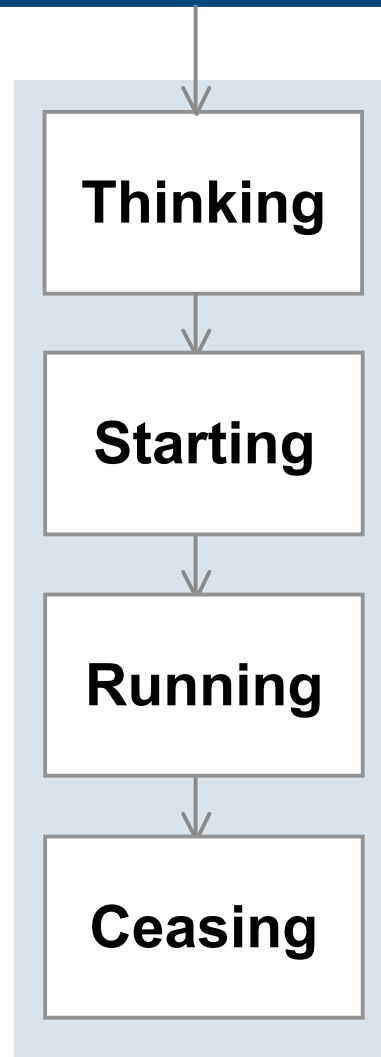
- Focussed on the four obligations of voluntary compliance that point to 'tax compliance' being:
 - registration
 - lodgment
 - correct reporting
 - payment.
- Based on the data captured by the Tax Office
- Provide an analysis of industries in terms of tax competency (*best practice*) and compliance

Four pillars of tax compliance



- However, clients don't make this distinction and simply see all of it as 'doing your tax'

Four stages of the micro business life cycle



Results

- Effective compliance was found to be based on three factors:
 - degree of complexity of the business and their tax requirements
 - amount of professional support received
 - personal aptitude or interest.
- Personal aptitude and interest is intuitively more important when looking at tax competency
- Personality archetypes have been described which exist across industries

Qualitative segmentation of micro business owners

Active dependants

- Totally reliant upon professional help and therefore no issues with tax
- Likely to be a large portion of micro market because of number of agents and 31% saying they lodged on time "because their accountant told them"

Tax Competent

- Do reporting themselves and are efficient but rely on accountants to check and lodge their work
- Represent around 14% of the micro market, saying "I know from my own experience or knowledge" they report correctly

Willing but lacking tax proficiency

- A vulnerable group. Do all their own bookkeeping and accounting to save money regardless of aptitude
- Likely to make mistakes, especially with new or unexpected rules

Unwilling and lacking tax proficiency

- Most vulnerable who have neither interest nor aptitude
- Small segment (10%) but the segment in the greatest need of support

Questions?

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