

# eJournal of Tax Research

Volume 13, Number 1

March 2015

## CONTENTS

- 5 Role of reputational risk in tax decision making by large companies  
**Catriona Lavermicocca and Jenny Buchan**
- 51 Assessing the quality of services provided by UK tax practitioners  
**Jane Frecknall-Hughes and Peter Moizer**
- 76 Relational impact of tax practitioners' behavioural interaction and service satisfaction: Evidence from New Zealand  
**Ranjana Gupta**
- 108 Tax compliance and the public disclosure of tax information: An Australia/Norway comparison  
**Ken Devos and Marcus Zackrisson**
- 130 Let's talk about tax compliance: Building understanding and relationships through discourse  
**Robert Whait**
- 158 The internal costs of VAT compliance: Evidence from Australia and the United Kingdom and suggestions for mitigation  
**Kathrin Bain, Michael Walpole, Ann Hansford and Chris Evans**
- 183 Information sharing by government agencies: The effect on the integrity of the tax system  
**Peter Bickers, Virginia Hopkins-Burns, April Bennett and Rico Namay**
- 202 Does the Australian Higher Education Loan Program (HELP) undermine personal income tax integrity?  
**Richard Highfield and Neil Warren**
- 262 A chilling account: North American and Australasian approaches to fears of over-defensive responses to taxpayer claims against tax officials  
**John Bevacqua**

---

CONTENTS

- 280** Tax simplification: A review of initiatives in Australia, New Zealand and the United Kingdom  
**Simon James, Adrian Sawyer and Ian Wallschutzky**
- 303** Building trust through leadership: A longitudinal study on Inland Revenue's response to, and learnings from, the Canterbury earthquakes: Years 1 and 2  
**Elisabeth Poppelwell, Hailong Sun and Peter Bickers**
- 338** Tax professionals' perception of tax system complexity: Some preliminary empirical evidence from Portugal  
**Ana Borrego, Ern Chen Loo, Cidália Lopes and Carlos Ferreira**
- 361** Modernising the Australian Taxation Office: Vision, people, systems and values  
**Michael D'Ascenzo AO**
- 378** Effective engagement: Building a relationship of cooperation and trust within the community  
**Jo'Anne Langham and Neil Paulsen**

# The internal costs of VAT compliance: Evidence from Australia and the United Kingdom and suggestions for mitigation

Kathrin Bain,<sup>1</sup> Michael Walpole,<sup>2</sup> Ann Hansford,<sup>3</sup> Chris Evans<sup>4</sup>

## **Abstract**

Existing literature has established the regressive nature of tax compliance costs, and in particular, the compliance costs associated with indirect taxes such as value added taxes (VAT) (known in Australia as Goods and Services Tax (GST)). Costs of compliance impact on the willingness of taxpayers to comply; they influence the relationship between taxpayers and the tax authority; and they also impact on the trust relationship in tax administration. The small business sector is a key player in the tax system and is critically important to maintaining the integrity of the system and cooperation between business and the revenue authority.

This article focuses on one specific aspect of tax compliance costs: the internal (time) costs of compliance borne in the small business sector in relation to VAT/GST. It notes how such compliance costs vary significantly between Australia and the United Kingdom (UK), both of which have been the subject of recent detailed analysis. The article examines possible causes for the variations in internal tax compliance time spent on dealing with the VAT/GST that are evident in these comparable regimes. If certain design features of a VAT/GST system trigger compliance costs, changes to the design that might alleviate those costs should be considered.

---

<sup>1</sup> Lecturer, School of Taxation and Business Law (Atax), UNSW Australia Business School.  
Corresponding author: [k.bain@unsw.edu.au](mailto:k.bain@unsw.edu.au).

<sup>2</sup> Professor, School of Taxation and Business Law (Atax), UNSW Australia Business School.

<sup>3</sup> Senior Lecturer, Business School, University of Exeter, UK.

<sup>4</sup> Professor, School of Taxation and Business Law (Atax), UNSW Australia Business School and International Fellow of the Exeter-Institute for Fiscal Studies Tax Administration Research Centre, University of Exeter, UK.

## 1. INTRODUCTION

Compliance costs studies in relation to taxation date back over 30 years. Such studies have established the regressive nature of tax compliance costs, and in particular the compliance costs associated with indirect taxes such as value added taxes (VAT).<sup>5</sup> Costs of compliance affect the willingness of taxpayers to comply; influence the relationship between taxpayers and the tax authority; and also impact on the trust relationship in tax administration. The small business sector is a key player in the tax system and is critically important to maintaining the integrity of the system and cooperation between business and the revenue authority.

This article focuses on the internal (time) costs of compliance imposed on owners and managers in the small business sector, and considers possible reasons as to why such compliance costs vary between the UK and Australia in relation to VAT/GST. Given that the internal time costs of the entrepreneur are such an important factor for small businesses (typically such costs comprise about two thirds of all tax compliance costs for small business operators), the opportunity costs of tax compliance may be disproportionately large and constitute a real impediment to small business growth and sustainability in those countries where system design is flawed.

The remainder of the article proceeds as follows. Section 2 provides background and context through a brief review of the literature. Findings and concerns raised by compliance costs studies will then be addressed, with particular attention paid to a recent study that found that compared to the UK, Australian small businesses incur significantly higher internal tax compliance costs in relation to VAT/GST.<sup>6</sup> The authors identify design factors associated with VAT/GST compliance that are potential significant causes of compliance costs. These are: registration; calculation of liability; lodgement of returns; and obtaining advice. Sections 3 to 6 of the article will then examine these identified factors in the context of both the UK VAT and Australian GST systems, in order to determine whether there are significant differences in the design of the two tax regimes. If differences can be identified, they may help explain the higher compliance costs borne by Australian small business taxpayers. As compliance costs can affect the willingness of taxpayers to comply with their relevant tax obligations, reforms that might alleviate those costs should be considered by the relevant revenue authority, and will be addressed in this article.

## 2. BACKGROUND

### 2.1 Overview of VAT/GST

With the exception of the United States, all OECD member countries use VAT/GST as a broad-based consumption tax.<sup>7</sup> Whilst Australia did not introduce a GST until

---

<sup>5</sup> Evans, C (2008) 'Taxation compliance and administrative costs: An overview' in M Lang et al (eds), *Tax compliance costs for companies in an enlarged European Community*, 457-459.

<sup>6</sup> Evans C, Hansford A, Hasseldine J, Lignier P, Smulders S and Vaillancourt F (2014) 'Small business and tax compliance costs: A cross-country study of managerial benefits and tax concessions', 12(2) *eJournal of Tax Research* pp. 453-482.

<sup>7</sup> OECD (2012) *Consumption Tax Trends 2012: VAT/GST and Excise Rates, Trends and Administration Issues*, OECD Publishing, 8.

2000, VAT has existed in the UK since 1973.<sup>8</sup> Despite some differences in terminology, both taxes operate in largely the same way. VAT/GST is payable on taxable supplies (which includes the supply of goods and services),<sup>9</sup> and an entitlement to input tax credits arises on acquisitions acquired as part of carrying on a business.<sup>10</sup> For a supply to be a taxable supply, the supplier must be registered or be required to be registered for VAT/GST.<sup>11</sup> Similarly, input tax credits will not be available to an entity unless the entity is registered or required to be registered for VAT/GST.<sup>12</sup>

In both countries, VAT/GST contributes significantly to total tax receipts, making up the most significant portion of tax revenue after income tax. In 2010-11, VAT made up 19 per cent of total tax receipts in the UK (compared to 64% of tax receipts from income tax).<sup>13</sup> In the same year in Australia, GST revenue (excluding customs duty) comprised 15.43 per cent of Australia's tax revenue. (Income tax on both individuals and corporations comprised 72.11%.)<sup>14</sup> Considering the importance of VAT/GST as a form of tax revenue in both countries, ensuring taxpayers comply with their obligations is an area of concern for taxation authorities.

One measure of the extent to which taxpayers are complying with their obligations is the amount of the 'tax gap'.<sup>15</sup> Broadly, the tax gap can be defined as the difference between the tax revenue that was collected by a revenue authority and the tax revenue that would have been collected if taxpayers had fully complied with their taxation obligations.<sup>16</sup> As defined by the Australian Taxation Office (ATO): "the tax gap is an estimate of the level of theoretical tax losses through non-reporting of tax by businesses through a failure to register or failure to lodge returns, net under-reporting of tax obligations or over-claiming of refunds".<sup>17</sup> While it is noted that there are conceptual difficulties in measuring tax gaps,<sup>18</sup> both the ATO and HM Revenue and Customs (HMRC) publish estimates of the tax gap in relation to VAT/GST, shown in Tables 1 and 2 below.

<sup>8</sup> OECD (2012) *Consumption Tax Trends 2012: VAT/GST and Excise Rates, Trends and Administration Issues*, OECD Publishing, 69.

<sup>9</sup> *Value Added Tax 1994* (UK), s 4; *A New Tax System (Goods and Services Tax Act) 2000* (Cth), s 7-1.

<sup>10</sup> *Value Added Tax 1994* (UK), s 26; *A New Tax System (Goods and Services Tax Act) 2000* (Cth), s 7-1.

<sup>11</sup> *Value Added Tax 1994* (UK), ss 3, 4; *A New Tax System (Goods and Services Tax Act) 2000* (Cth), s 9-5.

<sup>12</sup> *Value Added Tax 1994* (UK), s 26; *A New Tax System (Goods and Services Tax Act) 2000* (Cth), s 11-5.

<sup>13</sup> HM Revenue and Customs (2014) *HMRC Tax and NIC Receipts* HMRC Knowledge Analysis and Intelligence Data Policy and Coordination, 3. Income tax includes income tax, capital gains tax and national insurance contributions for individuals, and corporations tax.

<sup>14</sup> Australian Taxation Office (2013) *Taxation Statistics 2010-11* Commonwealth of Australia, 7-8.

<sup>15</sup> Australian Taxation Office (2012) *Measuring tax gaps in Australia for the GST and LCT* Commonwealth of Australia, 1.

<sup>16</sup> See for example: Villios, S (2011) 'Measuring the tax gap of business taxpayers in Australia' 21(1) *Revenue Law Journal* 1; McManus, J and Warren, N (2006) 'The Case for Measuring Tax Gap' 4(1) *eJournal of Tax Research* 61.

<sup>17</sup> Australian Taxation Office (2012) *Measuring tax gaps in Australia for the GST and LCT* Commonwealth of Australia, 2.

<sup>18</sup> Gemmell, N and Hasseldine, J (2014) 'Taxpayers' behavioral responses and measures of tax compliance 'gaps': A critique and a new measure' 35(3) *Fiscal Studies* p. 275-296.

**Table 1: United Kingdom – estimated VAT gap as a percentage of VAT revenue<sup>19</sup>**

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>VAT Gap</b>	11.2%	14.4%	12.9%	11.7%	14.2%	11.6%	10.4%	10.4%	10.9%
The higher than average tax gap in 2005-06 was due to an increase in missing trader intra-community (carousel) fraud. In 2008-09, the increase can be attributed to unpaid VAT debts as a result of the global financial crisis. <sup>20</sup>									

**Table 2: Australia – estimated GST gap as a percentage of GST revenue<sup>21</sup>**

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-10*
<b>GST Gap</b>	9.6%	9.2%	7.5%	8.3%	6.4%	6.7%	8.1%	6.9%
* The GST gap increased in 2008-09 before a significant fall in 2009-10. The figure shown in the table is an average of these two years. According to the ATO, the rise and fall in the GST gap for this two year period was due to timing differences rather than significant shifts in compliance. “Therefore in reporting the GST gap we have averaged the two-year period to ensure we give a more accurate reflection of the underlying trend in the GST gap”. <sup>22</sup>								

As non-compliance increases, so too does the tax gap.<sup>23</sup> There are numerous factors that can impact on the extent that taxpayers comply with their obligations. In terms of deliberate non-compliance, factors such as the rate of tax, the probability of audit or other enforcement activity and the severity of penalties may all play a role.<sup>24</sup> However, whilst non-compliance can be a result of intentional tax avoidance or evasion, it can also be unintentional – caused by taxpayers making honest errors or misinterpreting the law.<sup>25</sup> In this vein, Nina Olson (the IRS National Taxpayer Advocate) has stated: “Understanding the causes of a particular form of noncompliance may enable the IRS to identify solutions that do not require it to expend enforcement resources. For example, if the cause of noncompliance is tax law complexity (‘unknowing’ noncompliance), the most effective approach might be legislative reform”.<sup>26</sup> In the Australian context, McKerchar undertook significant research to determine causes of unintentional non-compliance, and in particular the impact of tax complexity on such non-compliance. She stated: “The effect of

<sup>19</sup> HM Revenue & Customs (2014) *Second Estimate of the VAT Gap for 2012-13*, available online: <[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/292860/Second\\_estimate\\_of\\_the\\_VAT\\_gap\\_for\\_2012-13.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/292860/Second_estimate_of_the_VAT_gap_for_2012-13.pdf)>.

<sup>20</sup> Ibid.

<sup>21</sup> Australian Taxation Office (2012) *Measuring tax gaps in Australia for the GST and LCT* Commonwealth of Australia, 3.

<sup>22</sup> Australian Taxation Office (2012) *Measuring tax gaps in Australia for the GST and LCT* Commonwealth of Australia, 2.

<sup>23</sup> McKerchar, M (2003) ‘The impact of complexity upon tax compliance: A study of Australian personal taxpayers’, *Australian Tax Research Foundation*, 17.

<sup>24</sup> Witte, A and Woodbury, D (1983) ‘What We Know About the Factors Affecting Compliance with the Tax Laws’ in Sawicki, P (Ed.) *Income Tax Compliance: A Report of the ABA of Taxation Invitational Conference on Tax Compliance*, ABA, Washington DC: ABA, 133-148.

<sup>25</sup> Australian Taxation Office (2012) *Measuring tax gaps in Australia for the GST and LCT* Commonwealth of Australia, 2. (LCT stands for Luxury Car Tax).

<sup>26</sup> Olson, N (2009) ‘Minding the gap: a ten-step program for better tax compliance’, *20 Stanford Law & Policy Review* 7, 7-36, 15.

complexity was directly related to compliance costs and that this in turn had an effect on personal taxpayers' commitment to compliance (which was found to be high).<sup>27</sup> Similarly, in the UK, Hansford and Hasseldine noted that small businesses may lack access to professional advice and may therefore not understand their compliance obligations.<sup>28</sup> Thus the tax gap and/or higher than necessary tax compliance costs may be a result of complexity of the VAT/GST law in a jurisdiction.

This article will now turn to a brief discussion of compliance costs studies, including recent evidence in relation to compliance costs associated with indirect taxes in the UK and Australia.

## 2.2 Compliance costs

Taxation compliance costs can be defined as: "those costs incurred by taxpayers, or third parties such as businesses, in meeting the requirements laid upon them in complying with a given structure and level of tax".<sup>29</sup> Various studies in relation to taxation compliance costs undertaken by Sandford found that such costs were regressive – that is, they have a larger impact on smaller businesses relative to the size of the business.<sup>30</sup>

When the GST debate was taking place in Australia in the mid-to-late 1990s, Evans and Walpole noted that little attention had been paid to compliance costs associated with the tax.<sup>31</sup> This was despite the fact that around the same time, the Australian government was recognising the importance of taxation compliance costs to businesses. Evans and Walpole reviewed compliance cost studies in relation to VAT/GST undertaken in five different countries, concluding: "the incidence of compliance costs in relation to trader turnover is broadly consistent between the United Kingdom, Germany, the Netherlands, Canada and New Zealand. The research shows that the compliance costs of the VAT/GST are severely regressive, and they may be more so than other business taxes".<sup>32</sup>

A recent report by Barbone, Bird and Vázquez-Caro provides an extensive review of the literature in relation to VAT/GST compliance costs.<sup>33</sup> Barbone et al confirms the findings of Evans<sup>34</sup> that compliance costs are high and significant, that they are

<sup>27</sup> McKerchar, M (2007) 'Tax complexity and its impact on tax compliance and tax administration in Australia' *The IRS Research Bulletin* 185-204, 193. The study referred to was: Margaret McKerchar (2003) *The impact of complexity upon tax compliance: A study of Australian personal taxpayers* Australian Tax Research Foundation.

<sup>28</sup> Hansford, A and Hasseldine, J (2012) 'Tax compliance costs for small and medium sized enterprises (SMEs): the case of the UK' *eJournal of Tax Research* 10(2), 288-303, 290.

<sup>29</sup> Sandford, C, Godwin, M and Hardwick, P (1989) *Administrative and Compliance Costs of Taxation*, Bath: Fiscal Publications, 10.

<sup>30</sup> Ibid.

<sup>31</sup> Evans, C. and Walpole, M. (1996-97) 'The Hidden Costs of a GST – An International Perspective', *Policy*, 3.

<sup>32</sup> Ibid, 9-10.

<sup>33</sup> Barbone, L, Bird, R and Vazquez-Caro, J (2012) *The costs of VAT: A review of the literature*, CASE Network Reports No 106/2012, Warsaw, 8.

<sup>34</sup> Evans, C (2008) 'Taxation compliance and administrative costs: An overview' in M Lang et al (eds), *Tax compliance costs for companies in an enlarged European Community*, 457-459.

regressive and that they are not reducing over time.<sup>35</sup> Based on the past studies, they conclude: “The regressivity of the compliance burden of taxation, and VAT in particular, which can be taken as definitively established in the literature, in particular stems from the large diseconomies of scale involved in complying with tax requirements, together with the learning curve effect that militates strongly against small firms”.<sup>36</sup>

Despite the agreed consensus in the literature that compliance costs (particularly those related to VAT/GST) are regressive, the amount of VAT/GST compliance costs as a percentage of total taxation compliance costs differs significantly between countries. Empirical studies carried out in 2010-11 across four countries (including the United Kingdom and Australia) collected and collated data about the levels of compliance costs experienced by small businesses. The studies, which utilised broadly similar survey instruments, compared internal and external tax compliance costs incurred by small businesses across different taxes.<sup>37</sup> For the purposes of the surveys, internal compliance costs were defined as “costs of labour/time consumed in completion of tax activities”.<sup>38</sup> (These are in contrast to external costs, which are the costs of “purchasing expertise”, such as external advisers.<sup>39</sup>).

The results of the surveys indicated that internal compliance costs were higher than external compliance costs, which is consistent with previous research. Further, VAT/GST compliance costs comprised a significant percentage of total internal compliance costs,<sup>40</sup> with Hansford and Hasseldine stating in relation to the UK that “VAT compliance consumes a disproportionate amount of in house time”.<sup>41</sup> Small businesses in the UK and Australia had broadly similar internal compliance costs (as a percentage of total compliance costs) – being 64 per cent for the UK and 68 per cent for Australia. However, a significant difference arose in relation to VAT/GST compliance costs. In the UK, 41 per cent of internal compliance costs were comprised of VAT compliance costs.<sup>42</sup> In Australia, 58 per cent of internal compliance costs were due to GST compliance costs.<sup>43</sup>

Sections 3 to 6 of this article will examine various characteristics of the VAT/GST systems in the UK and Australia, in order to identify differences in design that may explain the high GST internal compliance costs borne by Australian small businesses. The design factors that will be considered in more depth in this article include registration (Section 3); calculation processes (Section 4); lodgement processes (Section 5); and availability of advice and guidance (Section 6).

---

<sup>35</sup> Barbone et al., above n 33, 32.

<sup>36</sup> Ibid, 33.

<sup>37</sup> Evans C, Hansford A, Hasseldine J, Lignier P, Smulders S and Vaillancourt F, (2014) ‘Small business and tax compliance costs: A cross-country study of managerial benefits and tax concessions’, *eJournal of Tax Research* 12(2), 453-482

<sup>38</sup> Ibid, 9.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid

<sup>41</sup> Hansford and Hasseldine, above n 28, 300.

<sup>42</sup> Ibid, 295; Evans et al., above n 37, 9.

<sup>43</sup> Ibid



### 3. REGISTRATION

#### 3.1 Registration threshold

Both the UK and Australia have registration thresholds for VAT/GST purposes. Entities that are running businesses with annual turnover above the threshold are required to register. Businesses with turnover below the threshold can voluntarily register.<sup>44</sup>

In the UK, businesses that are entitled to register for VAT include those run by individuals, in partnership, as a company, a club, an association, a charity and any other organisation or group of people acting together under a particular name, such as an educational or health institution, exhibition, conference, a trust and a Local Authority.<sup>45</sup>

Turnover determines whether businesses are required to register and this figure regularly changes, with the revised figure announced in the Budget statement each year. Businesses supplying goods or services within the UK with a turnover in excess of the current threshold of £81,000<sup>46</sup> (previously £79,000) must register for VAT. If turnover exceeds the registration threshold temporarily then it may be possible to apply for exception from registration if it can be demonstrated to HMRC's satisfaction that in the longer term turnover will be below the de-registration threshold that currently stands at £79,000 (previously £77,000).<sup>47</sup>

Businesses with turnover in excess of the registration threshold that supply mainly zero-rated items may be able to apply for exemption from registration. It is up to HMRC to agree that the business is exempt from VAT registration on the understanding that any changes in the nature of the business must be informed to HMRC.<sup>48</sup> VAT turnover is allocated to each taxable person, be that an individual, partnership, limited company, and if the legal entity runs more than one business then the sales of all those businesses must normally be added together to determine whether the VAT registration threshold has been exceeded. HMRC decides whether there has been any artificial separation or fragmentation of one business into smaller parts in order to avoid registering for VAT. However, in circumstances where businesses are run through genuinely different legal entities, then there will be no requirement to combine the sales of those businesses to determine whether VAT registration is required.<sup>49</sup>

In Australia, an entity (which is defined broadly as including individuals, bodies corporate, corporations, partnerships, unincorporated bodies, trusts, and

---

<sup>44</sup> *Value Added Tax Act 1994* (UK), Sch 1; *A New Tax System (Goods and Services Tax Act) 1999 (Cth)*, ss 23-5, 23-10.

<sup>45</sup> *Value Added Tax Act 1994* (UK), s 94.

<sup>46</sup> Applicable from 1 April 2014.

<sup>47</sup> *Value Added Tax Act 1994* (UK), s 3; HM Revenue and Customs *When to register for UK VAT*, available online <<http://www.hmrc.gov.uk/vat/start/register/when-to-register.htm>>. For historical VAT thresholds, see HM Revenue and Customs *Should I be registered for VAT: Notice 700/1 and 700/11 Supplement* (March 2014).

<sup>48</sup> *Value Added Tax Act 1994* (UK), Sch 1 s 14.

<sup>49</sup> HMRC (2012) *Statement of Practice - F4: Artificial separation of business activities*, available at: <http://www.hmrc.gov.uk/agents/sop.pdf#statement>.

superannuation funds)<sup>50</sup> is able to register for GST if they are carrying on an enterprise or intend to carry on an enterprise from a particular date.<sup>51</sup> An enterprise is defined broadly as including (by way of example) an activity or series of activities done in the form of a business, trade, profession, vocation or calling.<sup>52</sup> It does not include activities carried out as an employee, private recreational pursuits or hobbies, or activities carried out by individuals where there is no reasonable expectation of profit.<sup>53</sup>

An entity that is carrying on an enterprise is required to be registered for GST if its current or projected GST turnover for a 12-month period is at or above the registration turnover threshold.<sup>54</sup> GST turnover is essentially gross business income, but excludes supplies that are input taxed,<sup>55</sup> supplies where no consideration is paid, supplies that are not made in connection with the enterprise, and supplies that are not connected with Australia.<sup>56</sup> When GST was first introduced in Australia, the registration turnover threshold was set at \$50,000 AUD (and \$100,000 AUD for non-profit entities).<sup>57</sup> The threshold was subsequently increased to \$75,000 AUD (with an associated increase to \$150,000 AUD for non-profit bodies), with effect from 1 July 2007.<sup>58</sup> Unlike in the UK, the GST registration threshold is not revised each year.

Whilst the UK and Australian thresholds sound similar when expressed in local currency, a significant difference is seen when the thresholds are converted to US Dollars based on the World Bank Purchasing Power Parity rates for 2013, with the UK threshold being more than double that of Australia, as shown in Table 3 below.

**Table 3: Registration thresholds for VAT/GST – UK and Australia**

Country	Currency	General Threshold		
		National currency	USD	Exchange rate <sup>59</sup>
United Kingdom	GBP	81,000	103,846	0.78
Australia	AUD	75,000	48,701	1.54

Using a similar conversion, the OECD noted that the UK threshold is the highest out of all OECD countries that have introduced a VAT-style consumption tax.<sup>60</sup>

<sup>50</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 29-45. “Entity” is defined in s 184-1. “You” is defined in s195-1 as applying to entities generally.

<sup>51</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 23-10.

<sup>52</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 9-20(1) provides further examples.

<sup>53</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 9-20(2).

<sup>54</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 23-5. (Entities who are carrying on an enterprise but do not meet this threshold have the choice of whether or not to register for GST, see s 23-10).

<sup>55</sup> An input taxed supply is a supply where no GST is charged, but the supplier is not entitled to any input tax credits on acquisitions associated with the supply. Input taxed supplies are provided in Division 40.

<sup>56</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 188-15.

<sup>57</sup> *A New Tax System (Goods and Services Tax) 1999* (Cth), s 23-15.

<sup>58</sup> *A New Tax System (Goods and Services Tax) Regulations 1999* (Cth), regs 23-15-01; 23-15-02.

<sup>59</sup> World Bank Purchasing Power Parity rates, available at: <http://data.worldbank.org/indicator/PA.NUS.PRVT.PP>.

Given the significant difference in thresholds, one reason for the higher compliance costs faced by Australian small businesses may be due to those at lower turnover levels being required to register. However, in both the UK and Australia, businesses below the threshold can voluntarily register. If businesses in both countries are registering for VAT/GST when they are not required to, it is unlikely that increasing the compulsory registration threshold would have any substantial impact in the number of businesses registered. For this reason, the extent of voluntary registrations is discussed in Section 3.2 below.

### **3.2 Number of registrations**

In both countries, a substantial number of businesses choose to voluntarily register for VAT/GST. This can be seen in Table 4 below, which shows the total number of registered businesses and the percentage of registered businesses that are below the threshold.

---

<sup>60</sup> OECD (2012) *Consumption Tax Trends 2012: VAT/GST and Excise Rates, Trends and Administration Issues*, OECD Publishing, 84.

**Table 4: Businesses voluntarily registered for VAT/GST (as a percentage of total VAT/GST registrations) – UK and Australia**

Year	United Kingdom <sup>61</sup>		Australia <sup>62</sup>	
	Total no. of registered businesses <sup>63</sup>	Percentage of businesses below threshold <sup>64</sup>	Total no. of registered businesses	Percentage of businesses below threshold
2007-08	2,051,080	43.29%	2,599,253 <sup>65</sup>	30.17% <sup>66</sup>
2008-09	2,070,690	42.59%	2,660,854 <sup>67</sup>	30.88% <sup>68</sup>
2009-10	2,020,180	44.31%	2,721,013 <sup>69</sup>	31.7% <sup>70</sup>
2010-11	1,997,160	43.10%	2,676,888 <sup>71</sup>	37.2% <sup>72</sup>
2011-12	1,995,400	42.00%	2,723,733 <sup>73</sup>	N/A <sup>74</sup>
2012-13	2,000,650	43.20%	2,690,747 <sup>75</sup>	N/A <sup>76</sup>

Whilst a higher percentage of registrations in the UK are voluntary, this is not surprising considering the much higher threshold. (That is, if Australia had the same threshold as the UK, a greater number of businesses would fall below the compulsory registration threshold.)

Despite the number of voluntary registrations in the UK, the majority of businesses are unregistered, as shown in Table 5 below. Most recent figures indicate that approximately 40 per cent of UK businesses are registered for VAT. In contrast, over

<sup>61</sup> As at 31 March each year.

<sup>62</sup> As at 30 June each year.

<sup>63</sup> HMRC (2013) *Value Added Tax (VAT) Factsheet 2012-13*, Spreadsheet 2.7. Available at: <<https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx>>.

<sup>64</sup> Ibid.

<sup>65</sup> Australian Taxation Office (2008) *GST administration end-year performance 2007-08* Canberra: Commonwealth of Australia, 18.

<sup>66</sup> Ibid.

<sup>67</sup> Australian Taxation Office (2009) *GST administration end-year performance 2008-09* Canberra: Commonwealth of Australia, 13.

<sup>68</sup> Ibid.

<sup>69</sup> Australian Taxation Office (2010) *GST administration end-year performance 2009-10* Canberra: Commonwealth of Australia, 21.

<sup>70</sup> Ibid.

<sup>71</sup> Australian Taxation Office (2011) *GST administration end-year performance 2010-11* Canberra: Commonwealth of Australia, 47.

<sup>72</sup> Ibid.

<sup>73</sup> Australian Taxation Office (2013) *GST administration end-year performance 2011-12* Canberra: Commonwealth of Australia, 20.

<sup>74</sup> N/A = Data not available. This data is no longer contained in the GST administration performance reports.

<sup>75</sup> Australian Taxation Office (2013) *GST administration end-year performance 2012-13* Canberra: Commonwealth of Australia, 23.

<sup>76</sup> N/A = Data not available. This data is no longer contained in the GST administration performance reports.

90 per cent of Australian businesses are registered for GST. As shown in the table, there are a higher number of VAT/GST registrations in Australia than in the UK, despite the UK having a significantly higher total business population.

**Table 5: Number of registered businesses as a percentage of total businesses – UK and Australia**

Year	United Kingdom			Australia		
	Total no. of businesses (private sector) <sup>77</sup>	Businesses registered for VAT <sup>78</sup>	% of businesses registered for VAT/GST	Total no. of businesses <sup>79</sup>	Businesses registered for GST	% of businesses registered for VAT/GST
2010	4,448,765 <sup>80</sup>	2,093,000 <sup>81</sup>	47.05%	2,859,435	2,721,013 <sup>82</sup>	95.16%
2011	4,542,765 <sup>83</sup>	2,060,000 <sup>84</sup>	45.35%	2,901,680	2,676,888 <sup>85</sup>	92.25%
2012	4,794,105 <sup>86</sup>	2,143,000 <sup>87</sup>	44.70%	2,957,540	2,723,733 <sup>88</sup>	92.09%
2013	4,895,655 <sup>89</sup>	2,156,000 <sup>90</sup>	44.04%	N/A	2,690,747 <sup>91</sup>	N/A

The much higher proportion of businesses registering for GST in Australia compared to those registering for VAT in the UK seems to the authors to be significant, the

<sup>77</sup> As at 1 January each year.

<sup>78</sup> These figures are estimates and due to slight differences in methodology and dates, the figure will vary from those shown in Table 4.

<sup>79</sup> The total number of businesses has been calculated as the number of entities (individuals, partnerships, trusts and companies) that recorded business income in their income tax return for the relevant year, as shown in the ATO Taxation Statistics, available at: < <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-statistics/Taxation-statistics-2011-12/?anchor=income#income>>. Although the Australian Bureau of Statistics publishes “Count of Australian Businesses” (NAT 8165.0), businesses that are not registered for GST are excluded from that data.

<sup>80</sup> Department for Business Innovation & Skills (2011) *Statistical Release – Business population estimates for the UK and regions 2011* Sheffield: BIS, 1-2.

<sup>81</sup> Ibid, 6.

<sup>82</sup> Australian Taxation Office, above n 69.

<sup>83</sup> Department for Business Innovation & Skills (2011) *Statistical Release – Business population estimates for the UK and regions 2011* Sheffield: BIS, 2.

<sup>84</sup> Ibid, 6.

<sup>85</sup> Australian Taxation Office, above n 71.

<sup>86</sup> Department for Business Innovation & Skills (2012) *Statistical Release – Business population estimates for the UK and regions 2012* Sheffield: BIS, 3.

<sup>87</sup> Ibid, 7.

<sup>88</sup> Australian Taxation Office, above n 73.

<sup>89</sup> Department for Business Innovation & Skills (2013) *Statistical Release – Business population estimates for the UK and regions 2013* Sheffield: BIS, 3.

<sup>90</sup> Ibid, 7.

<sup>91</sup> Australian Taxation Office, above n 75.

difference is so large. These figures raise the question as to why businesses voluntarily register for VAT/GST, and in particular, why do such a high number of Australian businesses register? In both countries, the reasons for registering (or not registering) appear to be similar.

One of the main reasons a business may not want to register for VAT/GST is the increased compliance costs. Businesses that voluntarily register have the same responsibilities as any other VAT/GST registered business and must keep all the required records, and complete and lodge required forms. (There are some concessions given in relation to how often such forms must be lodged, discussed in Section 4.)

Another disadvantage of registering is the increased costs to customers, as VAT/GST will need to be charged. However, if the 'customer' is also registered for VAT/GST and has acquired the goods/services in the course of their business, they will be able to claim back the tax that they have paid, and will not have to personally bear the cost. A number of online resources for small businesses suggest that if you are mainly going to be providing goods or services to VAT/GST registered businesses, you should register, even if it is not a requirement.<sup>92</sup> There are a number of reasons for this.

First, by registering for VAT/GST, a business can claim back any tax they have paid on their business inputs. Second, a business that is below the threshold may want to register for VAT/GST for image purposes – that is, they may not want to advertise that their threshold is below the turnover level. A business that is registered may have more credibility, by appearing larger and more reliable than an unregistered business.<sup>93</sup> Third, a business that is close to the registration threshold may prefer to register so they do not continually have to check their expected turnover. Or, if they know that in the future their turnover will be above the threshold, they may not want to have to explain to customers why their prices have increased (as a result of being required to register and start charging VAT/GST). Finally, there may also be cash-flow advantages. VAT/GST is generally collected from the customer at the point of sale; however, it does not have to be remitted to the tax authority until a later date.<sup>94</sup>

Whilst these reasons may explain why a business voluntarily registers for VAT/GST, it does not explain why such a high proportion of Australian businesses register compared to the UK. This may be explained by the process of registration, discussed in Section 3.3. That the number of registrants is high in Australia has, of course been noticed. Former Second Commissioner of Taxation Mr Bruce Quigley, who had

<sup>92</sup> Kashflow Accounting Solutions (2014) *Should I register for VAT?*, available at: <<http://www.kashflow.com/should-i-register-for-vat/>>; Sage (2013) *Sage Blog* "Should I register for VAT?", available at: <<http://www.sage.co.uk/blog/index.php/2013/06/should-i-register-for-vat/>>.

<sup>93</sup> Ibid. Simply Business (2010) *VAT registration – is it right for my business?*, available at: <<http://www.simplybusiness.co.uk/knowledge/articles/2010/07/2010-07-06-VAT-registration---is-it-right-for-my-business/>>; Flying Solo (2010) *Should you register for GST?*, available at: <http://www.flyingsolo.com.au/finance/business-tax-tips/should-you-register-for-gst>.

<sup>94</sup> Tran-Nam, B and Glover, J (2002), 'Estimating the Transitional Compliance Costs of the GST in Australia: a Case Study Approach', *Australian Tax Forum*, 17(4): 499-536; Law, K (2014) *GST and cash flow management*, available at: <http://www.kpmg.com/au/en/issuesandinsights/articlespublications/tax-insights/pages/gst-cash-flow-management-10-march-2014.aspx>.

carriage of the introduction of GST, has publicly commented on this, and on the strain it imposed at the time of GST implementation.<sup>95</sup>

### 3.3 Registration process

In both the UK and Australia, an entity must be carrying on a business / enterprise before it can register for VAT/GST. In both countries, there are registration requirements before an entity can carry on a business. In the UK, if the business is to be operated as a sole trader or a partnership, this involves registering for self-assessment with HMRC.<sup>96</sup> If the business is to be run as a company, once the company is incorporated with Companies House, it must obtain a Unique Taxpayer Reference from HMRC in order to be set up for Corporation Tax<sup>97</sup>. Regardless of how the business is to be operated, VAT registration is a separate process to the business registration process. For example, if you register for VAT via post, you need to complete form VAT 1 “Value Added Tax Application for Registration”.<sup>98</sup> If the business is being carried on as a partnership, form VAT 2 will also need to be completed “Value Added Tax Partnership Details”.<sup>99</sup> These are in addition to any forms that need to be completed to register for self-assessment or Corporation Tax. (Whilst most VAT registrations can be completed online, it is still a separate registration process.)

In Australia, whilst some requirements are similar to the UK, the process for registering for GST is more streamlined. All businesses are required to obtain an Australian Business Number (ABN) before commencing operations.<sup>100</sup> As noted by the ATO: “When you apply for an ABN you can also apply for the tax registrations you need”.<sup>101</sup> This includes applying for a tax file number (TFN) (if required<sup>102</sup>) and for GST. It is only if the business is to be carried on as a company that a separate registration may be necessary. If the company has not already been established, it will need to be incorporated with the Australian Securities and Investment Commission (ASIC) and obtain an Australian Company Number (ACN).

<sup>95</sup> Bruce Quigley, Keynote address ‘The Australian GST, its origins and its future’, *ATAX Annual GST Conference*, Brisbane, April 2014.

<sup>96</sup> UK Crown (2014) ‘Register your business in the UK’ *Set up a business in the UK*, available at: <<https://www.gov.uk/set-up-business-uk/register-your-business-in-the-uk>>; UK Crown (2014) *Set up a business partnership*, available at: <https://www.gov.uk/set-up-business-partnership>.

<sup>97</sup> UK Crown (2014) ‘Register your business in the UK’ *Set up a business in the UK*, available at: <<https://www.gov.uk/set-up-business-uk/register-your-business-in-the-uk>>; UK Crown (2014) ‘Set up your company for Corporation Tax’ *Set up a private limited company*, available at: <https://www.gov.uk/limited-company-formation/set-up-your-company-for-corporation-tax>.

<sup>98</sup> HMRC, *VAT 1 – Value Added Tax – Application for Registration*, available at: [www.hmrc.gov.uk/forms/vat1.pdf](http://www.hmrc.gov.uk/forms/vat1.pdf).

<sup>99</sup> HMRC, *VAT 2 – Value Added Tax – Partnership Details*, available at: <<http://www.hmrc.gov.uk/forms/vat2.pdf>>.

<sup>100</sup> If GST registration is not required, it is not compulsory to have an ABN. However, if a business does not have an ABN, other businesses are required to withhold 46.5% tax from any payments and remit this to the ATO.

<sup>101</sup> ATO (2013) *Register your new business*, available at: <<https://www.ato.gov.au/Business/Registration/Register-your-new-business/>>.

<sup>102</sup> For example, most individuals would already have a TFN. If they are operating their business as a sole trader, a separate TFN is not required.

Essentially, if a person wants to start a business in the UK, they need to register their business and then register for VAT. In Australia, a business can register for GST as part of the business registration process. The combined ABN/GST registration process may explain why such a high percentage of Australian businesses are registered for GST. A person registering for an ABN may register for GST without giving it much thought, and without fully appreciating the compliance requirements that come with the registration, such as the process for calculating the correct amount of VAT/GST as well as lodgement requirements. These requirements are discussed in Sections 4 and 5 of the article.

## 4. CALCULATION PROCESSES

### 4.1 Tax base and rate

A VAT style tax is often defined as a broad-based consumption tax.<sup>103</sup> In an ideal form, there would be one rate of tax and few exemptions.<sup>104</sup> It is well established that exempting certain goods and services from consumption tax and/or applying different rates of tax increases the complexity of the system, which in turn leads to greater compliance costs.<sup>105</sup> Both the UK VAT and the Australian GST contain a number of exemptions. Certain goods and services are not subject to VAT/GST when supplied, but the supplier can still claim back any VAT/GST that was paid in relation to the supply. Such goods and services are referred to as zero-rated in the UK and GST-free in Australia.<sup>106</sup> Certain other goods and services (referred to as exempt in the UK and input-taxed in Australia) are not subject to VAT/GST when supplied, however the supplier cannot reclaim any tax that was paid in relation to the supply.<sup>107</sup> Further, in addition to zero-rated and exempt items, certain goods and services in the UK are subject to a reduced rate of VAT (5 per cent instead of the standard 20 per cent). (Whilst Australia's GST does contain exemptions, all goods and services that are subject to GST are subject to a standard 10 per cent rate).

The OECD has attempted to estimate the 'robustness' of consumption tax regimes through the calculation of a VAT revenue ratio (VRR), which they describe as follows:

The VRR measures countries' ability to optimise revenues from the potential tax base for VAT. In a 'pure' VAT regime, all final consumption expenditure would be subject to VAT at the standard rate. In theory, the closer the VAT system of a country is to the 'pure' VAT regime, the closer its VRR is to 1. Any other value – higher or lower – indicates deviation from a single tax rate applied on all final consumption or a failure to collect all tax due. A VRR close to 1 is taken as an indicator of a VAT bearing uniformly

<sup>103</sup> OECD (2014) *International VAT/GST Guidelines*, 5-6.

<sup>104</sup> Tait, A (1988) *Value Added Tax: International Practice and Problems* Washington DC: International Monetary Fund, 50.

<sup>105</sup> See for example: Commonwealth Treasury (2010) *Australia's Future Tax System* Canberra: Commonwealth of Australia, D2-1.

<sup>106</sup> *Value Added Tax Act 1994* (UK), s 30, Schedule 8; *A New Tax System (Goods and Services Tax) 1999* (Cth), s 9-30; Div 38.

<sup>107</sup> *Value Added Tax Act 1994* (UK), s 31, Schedule 9; *A New Tax System (Goods and Services Tax) 1999* (Cth), s 9-30; Div 40.



on a broad base with effective tax collection. On the other hand, a low VRR may indicate an erosion of the tax base at the standard rate and/or significant failures to collect tax due.<sup>108</sup>

In 2010, the unweighted average VRR of OECD member countries was 0.55. Both the UK and Australia fell below this average – with VRRs of 0.47 and 0.52 respectively.<sup>109</sup> It is beyond the scope of this article to discuss in depth the various VAT/GST exemptions that exist in the UK and Australia. However, the similarity in VRRs would seem to indicate the consumption taxes in both countries suffer from complexity due to the existence of numerous exemptions. The higher internal GST compliance costs borne by Australian small businesses are therefore not explained by this design factor. If anything, if this design feature was being looked at in isolation, it would be expected that UK small businesses would have higher compliance costs due to the existence of more than one VAT rate.

## 4.2 Method of accounting

Both the UK and Australia allow certain taxpayers to use cash accounting (as opposed to accruals accounting). As the name suggests, taxpayers using cash accounting attribute VAT/GST to the period in which the payment was received, whereas under accrual accounting, VAT/GST is accounted for on the basis of the date of supply.<sup>110</sup> In the UK, a business can use the Cash Accounting Scheme (CAS) if their annual VAT taxable turnover is less than £1.35 million.<sup>111</sup> A business that is using cash accounting can continue to do so until their VAT taxable turnover reaches £1.6 million.<sup>112</sup> The CAS is not available to taxpayers who are behind in the lodgement of VAT returns or the payment of VAT; or have been convicted of a VAT offence or charged a penalty for VAT evasion in the last year.<sup>113</sup> For the year ended 31 March 2013, approximately 90 per cent of registered businesses would have been entitled to use cash accounting based on turnover.<sup>114</sup> It is not known how many businesses used cash accounting, as this information does not need to be provided to HMRC.

In Australia, an entity may choose to adopt the cash basis if it is considered a small business entity;<sup>115</sup> if it has GST turnover of less than \$2 million AUD;<sup>116</sup> the entity accounts for income tax on a receipts (cash) basis; and the Commissioner has

<sup>108</sup> OECD (2010) *Consumption Tax Trends 2010: VAT/GST and Excise Rates, Trends and Administration Issues*, OECD Publishing, 108-109.

<sup>109</sup> OECD (2012) *Consumption Tax Trends 2012: VAT/GST and Excise Rates, Trends and Administration Issues*, OECD Publishing, 107.

<sup>110</sup> ATO (2013) 'Cash and non-cash accounting', *Fact Sheet for businesses with a GST obligation*, available online: <[https://www.ato.gov.au/uploadedFiles/Content/ITX/downloads/bus13266n3136\\_052013.pdf](https://www.ato.gov.au/uploadedFiles/Content/ITX/downloads/bus13266n3136_052013.pdf)>.

<sup>111</sup> USD \$1.73 million, converted using World Bank PPP as shown in Table 3.

<sup>112</sup> USD \$2.05 million, converted using World Bank PPP as shown in Table 3.

<sup>113</sup> HM Revenue and Customs *Cash accounting scheme for VAT*, available online: <<http://www.hmrc.gov.uk/vat/start/schemes/cash.htm>>.

<sup>114</sup> HM Revenue and Customs (2013) *Value Added Tax (VAT) Factsheet 2012-13*, Table 2.11, available online: <<https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx>>.

<sup>115</sup> Essentially, an entity with income of less than \$2 million AUD (USD \$1.3 million converted using World Bank PPP as shown in Table 3).

<sup>116</sup> USD \$1.3 million converted using World Bank PPP as shown in Table 3.

approved the cash basis for the type of business that is carried on.<sup>117</sup> An entity that does not meet these requirements may still apply to the Commissioner to get permission to account on a cash basis. The Commissioner will take into account the nature and size of the enterprise; the nature of the accounting system; value and volume of supplies and whether they are made on a cash or credit basis; whether there is circulating capital and consumables; the reliance (if any) on capital items; and whether the business has formal procedures for extending credit and recovering debts. Special rules exist to cover circumstances in which an entity changes from cash to accruals or vice versa.<sup>118</sup> In the year ended 30 June 2011, 98.9 per cent of GST registrants would have been entitled to use cash base accounting (on the basis of GST turnover). Therefore, although the threshold for using cash accounting is higher in the UK, a higher proportion of Australian businesses are able to make use of it.

Whilst figures are not available as to the percentage of VAT/GST registered businesses that use cash accounting, it is not expected that choosing to use cash accounting over accruals (or vice versa) would result in any significant changes in compliance costs.

### 4.3 Concessional methods

As noted earlier, both the UK VAT and the Australian GST contain a number of exemptions (with the UK having the added complexity of both a standard and a reduced rate). Because of this, in both countries, there are a range of simplified accounting methods (SAMs) that can be used by small businesses if certain conditions are met. In the UK, the simplified methods can be used across different retail industries, however in Australia, the methods can only be used by food retailers who sell both GST-free and taxable food items.

#### 4.3.1 Flat rate / business norms

One of the more widely used simplified schemes is known as the flat rate scheme in the UK and the business norms method in Australia. In the UK, businesses that have VAT taxable turnover of less than £150,000<sup>119</sup> can apply a flat rate percentage<sup>120</sup> to total-VAT inclusive turnover. VAT cannot be reclaimed on purchases, as that has been taken into account in calculating the flat rate percentage.<sup>121</sup> Once a business joins the scheme it can continue to use it until total business income is more than £230,000.<sup>122</sup> The most recent HMRC VAT statistics indicate that approximately twenty percent of all VAT traders who are eligible to use the scheme do so.<sup>123</sup>

<sup>117</sup> *A New Tax System (Goods and Services Tax Act) 1999* (Cth), s 29-40.

<sup>118</sup> *A New Tax System (Goods and Services Tax Act) 1999* (Cth), s 159-10; 159-15; 159-20; 159-25.

<sup>119</sup> USD \$192,308 converted using World Bank PPP as shown in Table 3.

<sup>120</sup> The rate varies from 6 percent to 14.5 percent based on business sector.

<sup>121</sup> HM Revenue and Customs *Flat rate scheme for VAT*, available online <<http://www.hmrc.gov.uk/vat/start/schemes/flat-rate.htm>>; HM Revenue and Customs *Flat rate scheme for small business: Notice 733* May 2013.

<sup>122</sup> USD \$294,872 converted using World Bank PPP as shown in Table 3.

<sup>123</sup> HM Revenue and Customs (2013) *Value Added Tax (VAT) Factsheet 2012-13*, available online: <<https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx>>.

Similarly, under the business norms method, Australian businesses of a certain type<sup>124</sup> with turnover of \$2 million or less<sup>125</sup> can estimate GST-free sales and purchases by applying a set percentage that has already been determined based on the type of business (the business norm) to total sales and purchases.<sup>126</sup> Independent research commissioned by the ATO in 2011 and conducted by Chant Link and Associates found that the business norms method was the most widely used out of all the Simplified Accounting Methods (SAMs) available to small business taxpayers. It was suggested that the Business Norms method be expanded to encompass a greater range of businesses.<sup>127</sup>

#### 4.3.2 Retail schemes

The UK has three simplified ‘retail schemes’ that are design to be used by small businesses that sell a high-volume of inexpensive items.<sup>128</sup> Whilst there is an annual turnover limit to use these schemes, it is extremely high, currently set at £130 million.<sup>129</sup> These schemes generally allow a business to determine the amount of sales or purchases (depending on the scheme) made at each tax rate (either zero, the reduced rate, or the standard rate) over a limited period of time during the year. The information gathered from the sample period can be applied for the remainder of the year.

In Australia, in addition to the business norms method, there are four other SAMs that can be used.<sup>130</sup> These are broadly similar to the UK retail schemes, but are more limited in scope – as they can only be used by food retailers with an annual turnover of less than \$2 million.<sup>131</sup>

The 2011 research by Chant Link & Associates found that although SAMs simplified the process for small business owners, (and as a result, reduced compliance costs) it “still represented a complex means of calculating GST, particularly in cases where Business Norms could not be used”.<sup>132</sup> Therefore, whilst the wider availability of simplified methods in the UK (due to the higher turnover threshold and the application

---

<sup>124</sup> The business must be one of the following: Cake shops, continental delicatessen, convenience stores that prepare takeaway food but do not sell fuel or alcohol; convenience stores that do not prepare takeaway food and do not sell fuel or alcohol; Fresh fish retailers; health food shops; hot bread shops; pharmacies that also sell food; rural convenience stores.

<sup>125</sup> Turnover in this sense refers to SAM turnover – and only includes trading sales (sales of trading stock and other trading income). This converts to USD \$1.3 million using World Bank PPP as shown in Table 3.

<sup>126</sup> In addition to the turnover requirement, the business must be of a prescribed type: Cake shops, continental delicatessen, convenience stores that prepare takeaway food but do not sell fuel or alcohol; convenience stores that do not prepare takeaway food and do not sell fuel or alcohol; Fresh fish retailers; health food shops; hot bread shops; pharmacies that also sell food; rural convenience stores.

<sup>127</sup> Chant Link & Associates (2011) *A research report: GST and simplified accounting methods*, 22.

<sup>128</sup> Apportionment scheme, direct calculation scheme, and point of sale scheme. See HM Revenue and Customs *Retail schemes: Notice 727* (May 2012); HM Revenue and Customs *VAT retail schemes*, available online <<http://www.hmrc.gov.uk/vat/start/schemes/retail.htm>>.

<sup>129</sup> *Ibid.*

<sup>130</sup> Stock purchases method, Snapshot method, Sales percentage, Purchases snapshot.

<sup>131</sup> USD \$1.3 million, converted using World Bank PPP as shown in Table 3.

<sup>132</sup> Chant Link & Associates (2011) *A research report: GST and simplified accounting methods*, 16.

beyond the food industry) may have some impact on internal compliance costs, the difference is not expected to be significant.

## 5. LODGEMENT PROCESSES

### 5.1 Frequency of lodgement and payment

In the UK, a business that has a VAT turnover of less than £1.35<sup>133</sup> million pounds is eligible to make use of the Annual Accounting Scheme, which requires only one VAT return each year. However, VAT has to be paid on account throughout the year in nine monthly or three quarterly instalments. Once the VAT return has been completed any shortfall has to be paid to HMRC or alternatively a refund can be claimed if too much VAT has been paid. It is up to the business to elect for annual accounting and should not be considered for businesses that regularly reclaim VAT as the repayment due would only be made at the end of the year. According to recent HMRC statistics, whilst 90 per cent of VAT registered businesses were eligible to use the Annual Accounting Scheme, less than one percent chose to do so.<sup>134</sup>

Businesses that are not eligible for the Annual Accounting Scheme (or choose not to use the scheme) must lodge VAT returns (and pay any VAT due) on a monthly basis. The returns and payments must be made electronically.<sup>135</sup>

In Australia, a Business Activity Statement must be provided to the ATO for each tax period. Australia has a similar system available to businesses as the Annual Accounting Scheme, in that an entity that is not required to be registered for GST may elect to have an annual tax period, meaning they report and pay GST on an annual basis.<sup>136</sup> Additionally, small business taxpayers (entities with a turnover of less than \$2 million)<sup>137</sup> may choose to pay GST by instalments. Under this method, the ATO provides an estimated GST amount to be paid each quarter. A GST return is then lodged annually, with a reconciliation occurring between the instalments paid and actual amount due.<sup>138</sup> In 2010-11, 98.9 per cent of GST registrations were below the \$2 million threshold (approximately 2,649,420 businesses). In 2010-11, 223,828 businesses chose to report on an annual basis.<sup>139</sup>

Even if an entity does not fall below the \$2 million threshold, most taxpayers are only required to lodge their BAS and pay GST quarterly. Unlike the UK, the only entities that are required to use monthly tax periods are those whose GST turnover is \$20 million<sup>140</sup> or more, or an entity that will carry on the enterprise in Australia for fewer

<sup>133</sup> USD \$1.73 million, converted using World Bank PPP as shown in Table 3.

<sup>134</sup> HM Revenue and Customs (2013) *Value Added Tax (VAT) Factsheet 2012-13*, available online: <<https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx>>.

<sup>135</sup> HM Revenue and Customs (2013) *Deadlines for your VAT return and payment*, available online: <<http://www.hmrc.gov.uk/vat/managing/returns-accounts/deadlines.htm>>.

<sup>136</sup> *A New Tax System (Goods and Services Tax) Act 1999* (Cth) s 151-5.

<sup>137</sup> USD \$1.3 million, converted using World Bank PPP as shown in Table 3.

<sup>138</sup> *A New Tax System (Goods and Services Tax) Act 1999* (Cth) Division 162.

<sup>139</sup> Australian Taxation Office (2011) *GST administration end-year performance 2010-11* Canberra: Commonwealth of Australia, 47-48.

<sup>140</sup> USD \$13 million, converted using World Bank PPP as shown in Table 3.

than three months, or the entity has a history of failing to comply with their taxation obligations.<sup>141</sup>

Taxpayers with GST turnover of \$20 million or more must lodge their GST returns electronically.<sup>142</sup> Taxpayers below this threshold have the option of lodging physical GST returns (that is, completing a return on paper and mailing it to the ATO), or electronically. Further, lodgement by telephone may be available if there are no amounts to report for the tax period.<sup>143</sup>

Based on the above, frequency of lodgement cannot explain the higher internal compliance costs faced by Australian small businesses. Although less than 10 per cent of eligible businesses in Australia report on an annual basis, this is still a higher percentage than the percentage of businesses that use the annual accounting scheme in the UK. Further, in the UK, any business that does not use the annual accounting scheme must lodge monthly returns. Monthly reporting is only required in Australia for those entities with a turnover of over \$20 million. Therefore, the vast majority of UK taxpayers are lodging monthly returns, whilst the vast majority of Australian businesses are only required to lodge quarterly. If a higher frequency of lodgement increased compliance costs, it would be UK small businesses (rather than Australian small businesses) that would be adversely affected.

## 5.2 Correcting errors

In both the UK and Australia, the method of correcting an error on a VAT or GST return will vary based on the amount of the error. In the UK, errors below the error threshold can be corrected on the next VAT return that is lodged (within a four year period). However, errors must be reported to HMRC if they are above the threshold, or were deliberate.<sup>144</sup>

**Table 6: Methods of correcting VAT return errors (UK)**

Error amount	Method of correcting	Description of methods
< £10,000 <sup>145</sup>	Method 1 or 2	Method 1: Error can be adjusted on the next VAT return
Between £10,000 and £50,000, <sup>146</sup> but less than 1% of total outputs shown in current VAT return	Method 1 or 2	
Between £10,000 and £50,000, but exceed 1% of total outputs shown in current VAT return	Method 2	Method 2: Report the error to the HMRC using the form (or writing a letter that contains the information that would be included in the form).
Errors that were deliberate (regardless of amount)	Method 2	

<sup>141</sup> *A New Tax System (Goods and Services Tax) Act 1999* (Cth) s 27-15. An entity may also elect to use monthly tax periods: s 27-10.

<sup>142</sup> *A New Tax System (Goods and Services Tax) Act 1999* (Cth) s 31-25.

<sup>143</sup> *A New Tax System (Goods and Services Tax) Act 1999* (Cth) s 31-15.

<sup>144</sup> HM Revenue and Customs (2013) *Notice 700/45 How to correct VAT errors and make adjustments or claims*.

<sup>145</sup> USD \$12,820, converted using World Bank PPP as shown in Table 3.

<sup>146</sup> Between USD \$12,820 and \$64,103, converted using World Bank PPP as shown in Table 3.

In Australia, if an error has been made on a BAS, a taxpayer can either lodge a revision to the activity statement, or correct the error on a later BAS if certain conditions are met. The error may have resulted in either an overstatement of GST liability (credit error) or an understatement of GST liability (debit error).

There is generally a four year statutory period of review once an activity statement is lodged. A credit error can be corrected in a BAS for a later tax period that starts within this period of review. If a debit error has been made, a value limit applies to the amount of the error that can be corrected in a later BAS. If the error (or sum of multiple errors) is above the debit error value limit, the original BAS must be revised. The debit limits are shown in Table 7 below. Different time limits also apply based on the amount of the error. Additionally, regardless of the amount of the error, it must be corrected in the first BAS after it is identified and must not be the result of recklessness or intentionally disregarding the GST law.<sup>147</sup>

**Table 7: Value limits and time limits for correcting an error in a subsequent BAS (Australia)**

GST Turnover	Debit error value limit	Debit error time limit
Less than \$20 million <sup>148</sup>	Less than \$10,000 <sup>149</sup>	The debit error must be corrected on a BAS that is lodged within 18 months of the due date of the activity statement in which the error was made.
\$20 million to less than \$100 million <sup>150</sup>	Less than \$20,000 <sup>151</sup>	The debit error must be corrected on a BAS that is lodged within 12 months of the due date of the activity statement in which the error was made.
\$100 million to less than \$500 million <sup>152</sup>	Less than \$40,000 <sup>153</sup>	
\$500 million to less than \$1 billion <sup>154</sup>	Less than \$80,000 <sup>155</sup>	
\$1 billion and over <sup>156</sup>	Less than \$450,000 <sup>157</sup>	

<sup>147</sup> *Goods and Services Tax: Correcting GST Errors Determination 2013* (Cth).

<sup>148</sup> USD \$13 million, converted using World Bank PPP as shown in Table 3.

<sup>149</sup> USD \$6,497, converted using World Bank PPP as shown in Table 3.

<sup>150</sup> Between USD \$13 million and USD \$64.9 million, converted using World Bank PPP as shown in Table 3.

<sup>151</sup> USD \$12,897, converted using World Bank PPP as shown in Table 3.

<sup>152</sup> Between USD \$64.9 million and USD \$324.7 million, converted using World Bank PPP as shown in Table 3.

<sup>153</sup> USD \$25,974, converted using World Bank PPP as shown in Table 3.

<sup>154</sup> Between USD \$324.7 million and USD \$649.4 million, converted using World Bank PPP as shown in Table 3.

<sup>155</sup> USD \$51,948, converted using World Bank PPP as shown in Table 3.

<sup>156</sup> Over USD \$649.4 million, converted using World Bank PPP as shown in Table 3.

<sup>157</sup> USD \$292,208, converted using World Bank PPP as shown in Table 3.

The vast majority of Australian businesses have a turnover of less than \$20 million, and would therefore be subject to the \$10,000 debit error value limit. Higher limits apply for all UK businesses. Whilst it is therefore easier for UK businesses to correct errors, it is unlikely that this explains the higher compliance costs borne by Australian small businesses, as it would only impact upon those businesses that had in fact made an error.

### 5.3 Costs associated with invoicing and record keeping

In the UK the method used to keep business records is at the discretion of the business. However, there is a clear requirement that the records must be easy to access in the event of a VAT inspection. Broadly the records required include sales and purchase invoices, credit and debit notes, self-billing agreements, goods given away or for private use, non-allowable purchases, goods exported and any adjustments or corrections made. In addition a VAT account is required and the objective of this is to provide the link between business records and the VAT Returns. The VAT account provides details of VAT owed on sales, on acquisitions from other European Union (EU) countries, any amount due under a reverse charge procedure and any owed following a correction or error adjustment. In addition it includes details of VAT that can be reclaimed on acquisitions from other EU countries and any entitlement following a correction or error adjustment. Business records that are relevant for VAT need to be retained for at least six years and they can be kept in either paper or electronic format. For businesses that trade internationally, documentation relating to foreign sales or purchases of goods or services, imports or exports outside the European Union (EU) or selling or buying within the EU must be retained. Generally a business must keep all its business records that are relevant for VAT for at least six years. If this causes it serious problems in terms of storage or costs, then HMRC may allow it to keep some records for a shorter period.<sup>158</sup>

A VAT invoice must include certain information, such as an invoice number and date, the seller's name, VAT registration number and address, the customer's name and address, a description of the goods and services, any cash discount given, and the amount of VAT charged. Simplified VAT invoices, which do not require as much information, can be issued for retail sales of £250 or less (including VAT).<sup>159</sup>

In Australia, record keeping requirements for indirect tax transactions are prescribed in the *Taxation Administration Act 1953* (Cth).<sup>160</sup> Records must be kept that explain all transactions that relate to (among others things) taxable supplies, taxable importations, creditable acquisitions, creditable importations, GST-free supplies and input taxed supplies.<sup>161</sup> For most transactions, these records need to take the form of a tax invoice. If requested by the purchaser, a tax invoice must be issued within 28 days

---

<sup>158</sup> HM Revenue and Customs *Accounts and records for your VAT*, available online: <<http://www.hmrc.gov.uk/vat/managing/returns-accounts/accounts.htm>>.

<sup>159</sup> HM Revenue and Customs *VAT invoices: what they must show*, available online <<http://www.hmrc.gov.uk/vat/managing/charging/vat-invoices.htm>>.

<sup>160</sup> Schedule 1, Sub-division 382-A.

<sup>161</sup> *Taxation Administration Act 1953* (Cth), Schedule 1, s 382-5.

for any taxable supplies of \$75 (excluding GST) or higher.<sup>162</sup> For sales that are less than \$1,000, the tax invoice must contain enough information to clearly ascertain: the supplier's identity and ABN; what is supplied, the quantity and the price; whether each supply is a taxable supply; the date the document is issued; and the amount of GST (if any). It must also be clear that the document is intended to be a tax invoice. For sales of \$1,000 or more, the invoice must also contain the buyer's identity or ABN.<sup>163</sup> If a tax invoice includes both taxable and non-taxable (either GST-free or input taxed) supplies, the invoice must show each taxable sale, the amount of GST to be paid, and the total amount to be paid. Although a tax invoice is not required unless requested by the purchaser, the purchaser will not be able to claim an input tax credit for a creditable acquisition unless a valid tax invoice is held.<sup>164</sup> (For purchases of \$75.00 or less (excluding GST), records such as cash register receipts must be kept.)

The ATO's current guidance on what meets the requirements of a valid tax invoice is contained in GSTR 2013/1. In that ruling, the ATO summarises the importance of a tax invoice by stating: "The requirement to issue a tax invoice is a key component of the integrity of the GST system. It forms an essential part of the audit trail and is an important indicator that a taxable supply has been made."<sup>165</sup>

Tax invoices and other GST records must be kept for five years after the relevant transaction has been completed.<sup>166</sup> Failure to comply with record-keeping requirements may result in the ATO imposing an administrative penalty of up to 20 penalty units.<sup>167</sup> The Commissioner of Taxation also has wide-ranging powers to gather information and access premises.<sup>168</sup> The Commissioner of Taxation may require taxpayers to provide information; give evidence; produce documents; and give full and free access to all buildings, books, documents etc.<sup>169</sup>

As the invoicing and record keeping requirements in both countries are similar, this design factor would not explain the difference in compliance costs across UK and Australian small businesses. Further, similar records would be required for income / corporation tax purposes.

## 6. AVAILABILITY OF GUIDANCE

### 6.1 General guidance

The ATO and HMRC provide general information and guidance to taxpayers through a number of avenues. For example, general information is available through the ATO

<sup>162</sup> *A New Tax System (Goods and Services Tax Act) 1999* (Cth) s 29-80 provides that a tax invoice is not required for a taxable supply for which the value does not exceed \$50, or a higher amount if specified by regulation. Reg 29-80-01 prescribes an amount of \$75.

<sup>163</sup> *A New Tax System (Goods and Services Tax Act) 1999* (Cth), s29-70.

<sup>164</sup> GSTR 2013/1 Goods and Services Tax: Tax Invoices, [5].

<sup>165</sup> *Ibid.*

<sup>166</sup> *Taxation Administration Act 1953* (Cth), Sch 1, s 382-5.

<sup>167</sup> *Taxation Administration Act 1953* (Cth), Sch 1, ss 288-25, 298-20.

<sup>168</sup> These powers are contained in the *Taxation Administration Act 1953* (Cth) and apply to both income tax and indirect taxes such as GST. See s353-10 Schedule 1 *Taxation Administration Act 1953* (Cth).

<sup>169</sup> *Taxation Administration Act 1953* (Cth), Sch 1, s 353-10.



and HMRC website.<sup>170</sup> Taxpayers can also contact the ATO and HMRC via phone, with HMRC stating that the “quickest and easiest” way to obtain guidance about a VAT issue is to ring the VAT helpline.<sup>171</sup> A business can write to the HMRC for guidance if: they have reviewed the VAT information that is published online; have already contacted the VAT helpline; or can demonstrate that the HMRC’s guidance or the law are unclear.<sup>172</sup>

The ATO answered almost 1.4 million calls in relation to GST in the 2011–12 year.<sup>173</sup> They also provide tailored assistance to small businesses to increase GST understanding and compliance, which includes assistance visits,<sup>174</sup> seminars,<sup>175</sup> outbound education calls, online support, and more recently, the introduction of webinars. In October 2011, the ATO introduced the Online Small Business Forum “which provides an opportunity for small business to interact directly with the ATO and learn from other small businesses.”<sup>176</sup>

## 6.2 Formal guidance

If the law is unclear, a business can ask the HMRC to provide a ‘clearance’, which is written confirmation of HMRC’s view of how tax law is applied to a specific transaction or event. A business can then rely on the advice contained in the clearance.<sup>177</sup>

Australia has a similar, but more formalised, system of taxation rulings which provide the Commissioner’s interpretation of a particular aspect of law. Taxpayers can also apply to the ATO for a private ruling, which is “a written expression of the Commissioner’s opinion on how a relevant provision applies, or would apply, to a particular entity in relation to a specified scheme, arrangement or transaction. It provides the taxpayer with advice on how the Commissioner will apply the tax law (which includes its administration or collection) to their particular circumstances”.<sup>178</sup> Private rulings are only binding in favour of the applicant. The tax rulings system is administered through the *Taxation Administration Act*.<sup>179</sup> However, until recently, there was no legislated rulings regime for GST, with these being issued under the

<sup>170</sup> Australian Taxation Office: <www.ato.gov.au>; HM Revenue and Customs: <www.hmrc.gov.uk>.

<sup>171</sup> HM Revenue and Customs, “VAT Helpline” *VAT enquiries*, available at <http://search2.hmrc.gov.uk/kb5/hmrc/contactus/view.page?record=dMVkEC6liWE>.

<sup>172</sup> HM Revenue and Customs *Questions about VAT: writing to HMRC to get them answered*, available online <<http://www.hmrc.gov.uk/vat/managing/problems/getting-answers.htm>>.

<sup>173</sup> Australian Taxation Office, *GST Administration Annual Performance Report 2011-12*, 45.

<sup>174</sup> 6,596 assistance visits were conducted in 2012-13: Australian Taxation Office (2013) *GST administration end-year performance 2012-13* Canberra: Commonwealth of Australia, 3. See also: Australian Taxation Office, *Free and helpful tax assistance – no strings attached*, available online <<http://www.ato.gov.au/Business/Business-Portal/In-detail/Help/Free-and-helpful-tax-assistance---no-stringsattached/>>.

<sup>175</sup> In 2012-13, 20,306 participants attended either seminars, webinars or workshops. Australian Taxation Office (2013) *GST administration end-year performance 2012-13* Canberra: Commonwealth of Australia, 3.

<sup>176</sup> Australian Taxation Office, *GST Administration Annual Performance Report 2011-12*, 23.

<sup>177</sup> HM Revenue and Customs *Other Non-Statutory Clearance Guidance*, available online <<http://www.hmrc.gov.uk/cap/nscg.htm>>.

<sup>178</sup> PS LA 2008/3 *Provision and guidance by the ATO*, [80].

<sup>179</sup> *Taxation Administration Act 1953* (Cth), Sch 1, Divs 357-359.

Commissioner's power of general administration. Without an express legislative framework, a taxpayer could not object to a ruling issued by the Commissioner. Rather, a taxpayer would have to request an assessment for the relevant tax period, and then object to that assessment.<sup>180</sup> In December 2008, the Board of Taxation recommended: "The income tax ruling system should be adopted for GST, luxury car tax and wine equalisation tax".<sup>181</sup> As a result of this recommendation, indirect taxation rulings were brought into the *Taxation Administration Act* with effect from 1 July 2010.<sup>182</sup>

It may have been anticipated that once GST rulings became covered by the legislative framework, requests for such rulings would increase, but this was not the case. The ATO noted in their 2011–12 *GST Administration Annual Performance Report* that the number of GST private binding rulings decreased from 1,397 in 2010–11 to 1,156 in 2011–12. However, they noted that the complexity of the requests was increasing, with many large businesses applying for private rulings in relation to topics such as financial supplies, property and construction. Additionally, the number of interpretative guidance requests (which the ATO defines as "general information that is not taxpayer specific"), increased from 3,314 requests in 2010–11 to 4,665 in 2011–12.<sup>183</sup>

Lack of appropriate guidance from the relevant revenue authority may result in increased compliance costs for businesses. However, this would not explain the higher internal compliance costs borne by Australian small businesses. Both HMRC and the ATO provide informal and formal guidance, and it would appear that the ATO provides a greater amount of assistance and education to small businesses than is available in the UK.

## 7. CONCLUSION

There has already been significant research in relation to taxation compliance costs, with it being well-established that VAT/GST compliance costs are regressive.<sup>184</sup> However, recent research by Evans et al has established that the VAT compliance cost burden varies from country to country, with small businesses in Australia facing significantly higher internal compliance costs than those in the UK.<sup>185</sup> This article has sought to explain potential reasons for this difference, by focusing on particular aspects of the design of the UK VAT and Australian GST systems. Factors examined include registration threshold; calculation and lodgement processes; invoicing and record keeping requirements; special rules and accounting methods and the availability of helpful guidance from the revenue authority.

---

<sup>180</sup> Board of Taxation (2009) *Review of the legal framework for the administration of the goods and services tax* Canberra, Commonwealth of Australia, 72-73.

<sup>181</sup> *Ibid*, 77.

<sup>182</sup> *Taxation Administration Act 1953* (Cth), Sch 1, s 359-60.

<sup>183</sup> Australian Taxation Office, *GST Administration Annual Performance Report 2011-12*, 43.

<sup>184</sup> Barbone, L., Bird, R. and Vazquez-Caro, J. (2012) *The costs of VAT: A review of the literature*, CASE Network Reports No 106/2012, Warsaw, 8.

<sup>185</sup> Above n 6.

The comparative study of these design features has shown that many aspects of the UK VAT and Australian GST system are quite similar. This is particularly the case in relation to calculation and lodgement processes; invoicing and record keeping requirements; and the availability of guidance from the revenue authority. Those design factors would therefore not explain the difference in compliance costs.

The simplified accounting methods that have been discussed in this article apply to a broader range of businesses in the UK. In Australia, the simplified methods are limited to food retailers. Although this may have some impact on compliance costs, research conducted in Australia has shown that even the simplified accounting methods are complex and are not fully understood by businesses. It therefore seems unlikely that broadening the scope of these simplified accounting methods would cause a significant reduction in compliance costs.

It would appear that the main difference between the Australian GST and UK VAT system is the registration threshold, with the UK threshold currently set at more than double that of Australia when translated to constant currency terms. This difference will continue to increase as the UK threshold is indexed each year. As compliance costs are (highly) regressive, a lower threshold requirement will clearly have a significant impact, with a much greater number of small businesses being required to register. In both countries, a significant number of businesses below the threshold choose to voluntarily register. However, the majority of UK businesses remain unregistered for VAT, whereas over 90 percent of Australian businesses are registered for GST.

This article has identified reasons why businesses below the threshold in both countries may choose to register, and in the case of Australia, registering for GST is a more streamlined process. However, further research is needed to examine what is the driving cause of voluntary registration, as it is these voluntary registrants that are significantly affected by compliance costs. Opportunities for mitigation of the internal tax compliance costs burden in Australia through system and process re-design may then be highlighted. This could be an outcome that could be of considerable assistance to a time-poor small business sector always struggling under the burden of red tape imposed by the tax and other workplace obligations.