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# B Standard Business Reporting

## B.1 Background

In July 2008, a COAG communiqué signalled support for Standard Business Reporting (SBR) as a mechanism for reducing the regulatory burden on business. A commitment has been made to implement SBR by 31 March 2010. The commitment to SBR arose from recommendation 6.3 of the Regulation Taskforce (2006):

The Australian Government should develop and adopt a business reporting standard within the Australian Government sphere by 2008, based on the Netherlands model and work undertaken by the ATO (p. 142).

SBR is a multi-agency program that is estimated to save Australian businesses \$800 million per annum on an ongoing basis when fully implemented. SBR will reduce the regulatory reporting burden for business by:

- removing unnecessary and duplicated information from government forms
- utilising business software to automatically pre-fill government forms
- adopting a common reporting language, based on international standards and best practice
- making financial reporting to government a by-product of natural business processes
- providing an electronic interface to enable business to report to government agencies directly from their accounting software, which will provide validation and confirm receipt of reports
- providing business with a single secure online sign-on to the agencies involved.

SBR is being co-designed by Australian and state and territory government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries from across Australia.

Led by the Australian Treasury, the agencies participating in SBR are the Australian Bureau of Statistics, Australian Prudential Regulation Authority, Australian

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Securities and Investments Commission, Australian Taxation Office and all state and territory government revenue offices.

## **B.2 Standard Business Reporting in practice**

The development of SBR for financial reporting involved consideration of the data that business already collects, the data that agencies require, and the way that data is collected from business and reported to agencies.

As a first step, the agencies looked at the information fields on the 95 forms that are in scope for SBR reporting. By looking at each individual data field, agencies were able to identify where data was collected more than once across agencies and where similar data was requested but described in different ways. The first scan of this information also saw some forms being combined and some others taken out of scope.

It was then possible to standardise the definitions used to collect data and to link the definitions to existing data already held by business wherever possible – to develop a taxonomy, which is like a dictionary of terms. As a result, the 9648 information fields currently collected could be reduced to 2838 – a reduction of over 70 per cent in the number of data fields requested. Further, by linking the data requests to information that is already collected by business, the compliance burden in responding to this much reduced list of data fields is to be further reduced.

The way that the SBR process works is that, having identified the data business collects, it can be ‘tagged’ using the SBR taxonomy. This tagging process can operate ‘behind the scenes’ with software that is SBR enabled (using XBRL – eXtensible business reporting language). In essence, the business simply collects and records the data it needs, and the SBR enabled software collates and reports that data as required for business reporting purposes.

The reports, once prefilled in the businesses software can then be sent directly from the software package to the agency using a single secure sign-on. Businesses only record data once, and with the help of SBR can use this for several reporting services.

## **B.3 The benefits of Standard Business Reporting**

The major drivers for increased reporting efficiency for businesses and accountants include:

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- less time and effort (based on reduction in time spent by businesses and accountants in the assembly and analysis of information) required to report to government
  - an ability to satisfy their reporting requirements directly from the system that they use to keep their accounts/records
  - a single sign-on to secure government on-line services
  - reduced barriers to adopting more sophisticated accounting and management systems
  - access to more up to date financial performance information
  - certainty that the reporting obligation has been dealt with and received by government.

As well as the efficiency benefits which have been measured, there is also a range of effectiveness benefits for both businesses and accountants. These include improvements that provide:

- up to date financial information and analysis
- better informed financial decisions
- greater transparency in governance processes
- better access to investor markets on the basis of financial statements that can be more readily compared
- potential improvements in the sustainability of the accounting industry in Australia
- alignment with reporting processes internationally
- convenience for companies reporting across jurisdictional (eg national) boundaries.

A small business case study highlighting the benefits of SBR is presented in box B.1

SBR is currently focussed on developing a taxonomy and lodgement regime for financial reporting. However, once this taxonomy is established and operational there is wide scope to apply the SBR methodology to a much broader range of business reporting requirements.

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**Box B.1 Standard Business Reporting: A small business case study***Before SBR*

Joe provides a trade service to households in his town of Wagga Wagga. He wants to expand his business, employ some apprentices and take on a business partner. He is struggling to meet demand due to a national skills shortage in his line of work and is therefore reluctant to take on more work due to the additional paperwork he would have to complete or have to pay someone else to complete on his behalf.

Currently, Joe has to complete a yearly income tax return, relevant business schedules and quarterly BAS. Joe's records are a combination of a cheque book, invoice/receipt book, bank statements and an envelope containing his receipts for work related expenses. Around November each year, Joe takes his records to his accountant who prepares Joe's income tax return and payment summary.

*After SBR*

Joe has spoken to his accountant about his record keeping and paperwork concerns surrounding the hiring of more staff and apprentices. Joe's accountant shows him an SBR compliant software product that sits on his desktop that has all the information and schedules for government reporting embedded as a module within it. Joe realises that even with the additional reporting obligations due as a result of taking on staff, this software would make life easier than it is today. This new software will help Joe run his business by keeping track of the businesses incomings, outgoings, payroll and any other incidental financial items.

Joe could also complete his own BAS, as well as any other reporting obligations and submit them electronically. The software will also remind him when each form is due, and for additional assurance he has the option of sending some of his forms to his accountant for review, before submitting them. Joe will pay his accountant less than he does today, as the once a year visit to complete his tax return and other government obligations will take only a few hours as opposed to the day or two it takes now.

The software will also allow Joe to know how well his business is tracking, whether it is turning a profit or a loss, where his money is being spent, what type of work brings in the most money for the least amount of effort and so on. This level of analysis will allow Joe to become more astute about the types of jobs he accepts, and how much he should charge for different types of work without waiting until the end of the year when he sees his accountant. Also, Joe can easily transmit his electronic records to his accountant whenever he wants, so his accountant can provide him with more value added advice around business planning without Joe having to go and visit him.

*Source:* SBR (2009).

The value of extending SBR to other fields is likely to be of most benefit where there is a wide array of data collected by multiple agencies across a number of jurisdictions. Education, aged care, child care and the energy sector are all areas covered in this review that have those characteristics. A taxonomy could be

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developed for each of these areas to streamline the reporting burden and provide more transparency and rigour to the data collected. In developing a taxonomy, agencies would also need to consider the data that are already available to them through the SBR financial reporting taxonomy, and that alone should reduce the additional data requests in these sectors. Indeed, the Dutch, who are around four years ahead of Australia in SBR reporting, have indicated that health and education will be the next sectors to use the SBR approach in the Netherlands.

The use of standard definitions and language not only reduces the reporting burden by standardising what is collected, SBR gives greater rigour and confidence in the data that is produced. As a result, agencies may be prepared to collect less data, knowing that what they have collected can be trusted and relied on for policy making and regulatory purposes. Better quality data at the business level should also assist in better designed, more risk-related compliance programs, which will in turn further reduce reporting burdens – especially for highly compliant businesses.