

Impacts and Benefits of COAG Reforms  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

24 February 2012

Dear Sir/Madam

I write to you in response to your invitation to provide feedback on the impact of the Standard Business Reporting Program (SBR) as part of the Productivity Commission's project, 'Impacts of COAG Reforms: Business Regulation and VET'.

## 1. General comments

By way of background, Deloitte Touche Tohmatsu (Deloitte) has been a strong supporter of the Standard Business Reporting program since its inception. Being a large professional services business, an intermediary and a software developer, the impact of the SBR Program to Deloitte is wide reaching.

## 2. Realised costs & benefits

Deloitte has played an active role in the development of the SBR enabled product, GovDirect. As part of our ongoing relationship with Business Driven Systems Pty Ltd (developer of GovDirect) we have had the opportunity to engage with many 'early adopter' small businesses.

In terms of benefits to business, our subscribers report only a minimal amount of saving in the amount of time taken to prepare the reports filed via the SBR channel. Below are the comments we received when asking our users for feedback:

*"Didn't save any time persay in actually completing the form, but the time saved running around, posting, photocopying, signing etc. is priceless..."*

*"I have actually spent more time using GovDirect but the customer service has been great, maybe I will be quicker next time"*

*"With regards the TFN lodgements I estimate the service saves us around 10/15min per lodgement. With regards BAS lodgements, we were doing these via the ATO portal in the past and lodging them via GovDirect probably takes a similar amount of time."*

Best case scenario using the Treasury's estimate of time cost per hour (\$27), GovDirect saves 15 minutes or \$6.75 (\$27 x 15/60 minutes) per lodgement. Therefore users would need to lodge over 14 forms per year to generate a return on their investment cost of \$95(recommended retail price) per year to subscribe to GovDirect. But, when you consider the benefit to subscribing business may not be the time saved filing the information to

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government but all of the related record keeping activities; the number of forms required to generate a return on investment may in fact be less than 14 forms per year.

### **3. How to increase uptake?**

As part of our ongoing engagement with the SBR Program management the firm has submitted its point of view on its experience with the program in two documents. First, from a software developer perspective and then from a large accounting firm perspective. The challenge of increasing uptake and how to address it from each perspective were presented in the points of view and are summarised in the following paragraphs. We have also included feedback that we have ascertained from our work with small and large businesses.

The first challenge faced by software developers when attempting to integrate their own information systems with the infrastructure provided by the program was how to bridge the knowledge gap. Discussions Deloitte held with suppliers of commercially available software is there are aspects of the technical infrastructure that are unique and therefore require an investment of time by the developers to understand how to connect their software to SBR. Once they have this understanding its then a matter of developing the relevant interfaces. When developing GovDirect with Business Driven Systems it took an average of 4-6 weeks per form to build these interfaces. This is a huge investment in time and money for developers and one which some may choose not to undertake. Therefore we support the Commissioner of Taxation assertion that the Australian Taxation Office (ATO) will be working with software developers, tax agents, their professional associations and other intermediaries about transitioning from ELS and believe it will create a sense of urgency amongst the developer community to invest in SBR that has been absent to date.

The feedback we have gathered from GovDirect users would suggest there is a benefit to small business but these benefits are not what have been promoted to other small business users. One of our users commented they haven't saved anytime completing a form, but not having to duplicate the form and filing it for record keeping purposes has saved them time. It is our experience that these 'outlier' benefits, although not anticipated at the business case stage are often overlooked but can have the most impact when trying to implement change or introduce a new concept to market. We recommend the program conduct an end user study to uncover the outlier benefits from using SBR enabled software and promote these benefits to the wider small business market.


From an intermediary perspective there are a number of functional gaps which need to be addressed in order for tax agents to use SBR as the only means of electronic lodgement to government agencies. These gaps relate to functionality that exists today that does not or would not exist under a SBR only environment. They include not having the individual income tax return ('I' form) within the scope of SBR. By not including an 'I' form, tax agents and therefore their software providers need to maintain an interface to the ATO which does not include SBR or risk losing revenue from clients. We recommend that the 'I' form be included in the scope of SBR forms and that the program satisfy itself that all government forms intermediaries lodge on behalf clients are included in the future scope of SBR.

Adoption by large business has been slow primarily due to a lack of SBR software being available suited to a large business. Many large businesses use the Electronic Commerce Interface (ECI) as their electronic channel to the ATO and like ELS, removing this as an option to lodge will increase adoption. But large businesses also use a number of other channels which in effect compete with SBR. This includes paper for lodging financial statements to ASIC and for financial institutions, the D2A or Direct to APRA software provided by APRA. There are some information requirements for each organisation which have similar elements, but because APRA only monitor organisations in the financial services industry they can be more prescriptive in their information requirements. The challenge ASIC face is how can they prescribe information requirements for all large organisations, covering all industries for companies who provide this information in an unstructured manner. We recommend more work be done by the program to understand these requirements and validate the business case for large businesses submitting unstructured information before considering any activities to promote uptake.

To summarise we believe the following activities need to be undertaken by the SBR program in order to increase uptake:



- i. Address the knowledge gap for software developers and create the incentive to change by removing all competing channels (including paper)
  - ii. Address functional gaps in government provided infrastructure
    - a. Add the 'I' form to the list of forms
    - b. Address the issue of how to disclosure unstructured financial information for large business and validate the requirement to provide this information via SBR
  - iii. Truly understand the benefit to all businesses and promote it widely
- On behalf of Deloitte I would like to thank you for the opportunity to provide our feedback.

Yours  sincerely.

Peter Williams  
Partner  
Deloitte Touche Tohmatsu