



28 October, 2011  
File: ER2011/05169

Productivity Commission

Attn Ms Lucy Bechtel

Dear Lucy,

**SUBJECT COAG IMPACTS PROJECT – QUESTIONS TO SBR UNIT**

I refer to the questions raised by you on 24 October 2011 and offer the following responses.

**Question:** You have provided us with a breakdown of the costs of the different components of SBR. In total, or if possible with the same level of disaggregation, can a spending profile be provided which shows the difference between budgeted and actual — starting from commencement of the program to the budgeted 2011-12 financial year? What funding and expenditure profile is provided for SBR in the forward estimates?

**Response:** *Actual expenditure at the agency level was tracked until the capability went live in 2010. Ongoing funding for SBR was provided in 2010 budget and is attached.*

**Question:** Following the recent SBR board meeting, were expected uptake rates for SBR revised or was a new time frame agreed for the 12, 24, 48, 60 uptake path? If so, what is the current expectation?

**Response:** *Revised uptake rates for SBR were presented at the recent Steering Group meeting but have not been discussed or agreed. Further consultation is underway in the lead up to the December Board Meeting where it is expected that they will be tabled for endorsement.*

**Question:** We have been provided numbers indicating the uptake of AusKEY. Can you provide an estimate of the number of businesses using the taxonomy developed by the SBR unit?

**Response:** *Mapping of the taxonomy to the business records is provided by the software. Improved alignment of business data to the taxonomy will benefit all business users of SBR-enabled software irrespective of how they choose to report to Government. Therefore the number of businesses using the taxonomy will equate to the number of businesses using SBR-enabled software.*

*Other agencies such as aged care are implementing the taxonomy for business reporting via an agency portal which allows businesses to derive a benefit even though they are not lodging via SBR. We do not have any volumetrics for this mode of use.*

**Questions:** Based on SBR Unit estimates, 80 000 businesses currently have access to SBR through their accounting software and approximately 1000 of these businesses use the SBR feature for reporting. How did SBR arrive at this estimate? What confidence should we attach to such estimates?

**Response:** *The estimate of businesses using SBR to meet their reporting obligations was derived from the number of activity statements and payment summaries lodged each week through SBR over the July / August period. It is based upon the assumption that a business is only lodging one activity statement per month and one payment summary per year. Therefore we are reasonably confident with this estimate.*

*The estimate of availability was derived from vendor advice regarding their user base and the percentage of users on subscription that provides them with automatic upgrades (as opposed to needing to purchase the upgrade). Adjustments were applied to the raw vendor figures to arrive at conservative estimates of business access.*

**Question:** You have also advised us that over 600 000 businesses are expected to have access to SBR capabilities in their accounting packages by the end of the next financial year. What is the estimate of the number of business that will then be using SBR? What are some of the reasons for the gap between the number of businesses with access to SBR and actual usage rates?

**Response:** *The estimate of business access to software is based upon known software developer intentions being delivered on time. The corresponding estimate of actual business usage by the end of next year is 13,000. The reasons for the difference are:*

- *half of the access estimate(300,000) is a result of product upgrades that are anticipated to be in the marketplace late next year and businesses will commence using from beginning of following Financial Year*
- *a large percentage of businesses lodge via an intermediary and therefore even though a business has access to SBR software, it will not be using the SBR software for lodgement purposes*
- *the reporting scope available in the software may only support part of a business's interactions with Government and therefore will be reluctant to migrate from their current methods*
- *there is a general lack of willingness by business to lodge electronically which will take time to overcome.*

**Question:** We recognise that there are challenges for government agencies, software and accounting companies and businesses in staying on top of a changing regulatory environment. This means that directing time and resources towards a voluntary program such as SBR is not necessarily a priority. But are there also technical issues constraining the uptake of the program? If so, what is the nature of these technical problems? Are there any other factors that are impeding uptake of SBR?

**Response:** *In general, the feedback from developers has indicated that the technical challenges of SBR are relatively straightforward to address, particularly given the components SBR provides.*

*The remaining technical barrier remains the process of mapping from the proprietary data stores used by packages to the SBR taxonomy and data format, and integrating this into the workflows supported by the package. Data architectures and workflow engines represent the area of most diversity as far as software packages are concerned, so it is a challenge for the program to provide components to address these aspects in a one-size-fits-all fashion. Further, there are signs that this market is being addressed by commercial interests, so SBR needs to be cautious not to interfere with this nascent market. There is a paper going to the December 2011 SBR board meeting to discuss the potential for further work in this area.*

**Question:** What strategies does the SBR Unit have to overcome the challenges identified above?

**Response:** *SBR has sought to minimise the technical barriers faced by developers by providing to them a number of software components to simplify implementation of an SBR solution, particularly in relation to the communications standards used and the handling of the data formats used. These have been well received and used by developers. SBR currently has work underway to broaden the range of IT platforms for which these components are suitable.*

**Question:** What lessons are there out of the SBR experience in terms of rolling out reform?

*Response: A key lesson is that a voluntary reform that does not have explicit incentives needs to carefully consider the capacity for industry to invest while also implementing other mandatory reforms. The onset of the GFC during the implementation cycle had a dramatic effect upon this capacity to invest, as did a number of other mandatory changes that occurred at the same time within Australia and New Zealand.*

*A key lesson from the Post Implementation Review undertaken in 2010 was that reform must take a user centred approach instead of an agency centred approach. This will require continuous stakeholder engagement, but leads to a better solution and higher likelihood of adoption and realisation of intended benefits.*

**Question:** The SBR Unit has advised that the inclusion of individual tax reporting capabilities is critical to the success of the program. What are the key factors that will influence the timing of the introduction of this capability into SBR? To what extent is the SBR unit able to influence those factors?

*Response: The timing is dependent upon ATO work priorities and their capacity to implement while also addressing other Government commitments such as super stream. SBR is unable to affect this situation.*

**Question:** Would a public announcement by the ATO requiring SBR for electronic lodgement of tax returns in the medium term be sufficient momentum to ensure the successful uptake of SBR to the levels originally suggested in the business case albeit it at a later date? Or will it still require significant ongoing investment of government resources in order to achieve the uptake rates originally envisaged? If so, in what areas?

*Response: The majority (>90%) of income tax returns are prepared and lodged via intermediaries, and such an announcement would result in the software developers modifying their products and the migration of these returns to SBR. However, the majority of other reports to ATO still occur on paper so there would need to be a complementary campaign to reduce paper if SBR is to achieve the levels originally suggested in the business case. This is not necessarily a significant investment by Government.*

**Question:** To what extent can an education campaign explaining SBR improve take-up or will this be unnecessary if the ATO publically signals its support for SBR as the preferred method of online tax lodgement?

*Response: An education and awareness program has already been undertaken and once businesses can act upon this information (i.e. they have access to suitable software) a further program will be undertaken. This is needed even if there is a public signal of support for SBR from ATO.*

*Rationalisation of electronic channels is necessary for software developers to transition their products to SBR and provide the broad coverage necessary to achieve the original take-up targets. Otherwise it represents an additional channel that they need to invest in and support.*

I trust that these responses will assist your review. Please do not hesitate to contact me should you require further information.

Yours sincerely

Geoff Miller  
General Manager  
Standard Business Reporting Division

	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-1.3	16.0	18.7	14.4	13.5
Department of the Treasury	-3.2	3.9	4.3	4.5	4.5
Australian Prudential Regulation Authority	-	-	0.6	0.8	0.6
Australian Securities and Investments Commission	-0.1	-	0.7	0.8	0.8
Department of Innovation, Industry, Science and Research	-0.2	-	-	-	-
Total	-4.8	19.9	24.3	20.5	19.2
<i>Related capital (\$m)</i>					
Australian Prudential Regulation Authority	-	1.5	-	0.2	-
Australian Taxation Office	-3.6	0.7	-	1.5	-
Department of the Treasury	-6.4	0.5	0.6	0.5	0.6
Australian Securities and Investments Commission	-1.7	-	-	-	-
Department of Innovation, Industry, Science and Research	-0.2	-	-	-	-
Total	-11.9	2.6	0.6	2.2	0.6