

13 August 2013

The Productivity Commission
Regulator Engagement with Small Business
PO Box 1428
Canberra City ACT 2601
small.business@pc.gov.au

Please find attached a submission from Intuit Australia providing comment on the Productivity Commission's Draft Report on Regulator Engagement with Small Business.

For any further information please contact me.

Yours sincerely,

Lindsey Grossman
Head of Global Public Policy, Asia Pacific
Intuit Inc.

Whitney MacDougall
Vice President, Corporate Affairs
Intuit Inc.

Introduction

Intuit Inc. is a leading provider of business and financial management solutions for small and mid-sized businesses.

Our global flagship products and services, including QuickBooks®, Quicken® and TurboTax®, simplify small business management and payroll processing, personal finance, and tax preparation and filing. Founded in 1983, Intuit has approximately 8,000 employees with offices in the United States, Canada, the United Kingdom, India and Australia.

In Australia, we are very early in our journey to help small businesses as we only entered the market last year. Our core offering in Australia is QuickBooks Online® - a web based, easy-to-use, feature-rich business and financial management software designed for small businesses in Australia.

QuickBooks Online helps small businesses stay on top of their business finances by providing powerful insights for quick and informed business decisions, anywhere and anytime.

QuickBooks Online is number one in cloud accounting for small businesses, with more than 450,000 paying QuickBooks Online companies worldwide. The solution also helps bookkeepers and accountants help their clients manage their business finances more efficiently.

At Intuit, we are passionate about small businesses and are driven by the desire to solve important problems that their owners face every day. That includes providing practical help to save entrepreneurs time in getting to grips with their finances, accounts and taxes so they spend more time with their customers in the business. Effectively managing their finances using simple technology platforms not only helps our small businesses save time; they also save money because they can accurately plan for smarter business growth.

While we may be young in Australia, we are leaders at a global level and bring to the table a strong knowledge of the pain points that small businesses around the globe face. We know from our work with small businesses in Canada, UK and India, as well as the United States, managing finances and compliance issues can be one of the most challenging things for small business. It's what drives us to make user-friendly products so small businesses can get on with the things they love: running their business, making their products, and serving their customers.

Intuit regularly undertakes studies in the small business sector and in Australia we've conducted two studies with relevance to the Productivity Commission's study on regulator engagement with small business. I am pleased to share with the Commission some of the key findings of two recent studies below.

The first study was conducted among a sample small business owners across Australia in September 2012.

The second study was conducted among a sample of small business owners across Australia in June 2013, as part of Intuit's 'Love Our Local Business Campaign' in which Intuit is granting 15 small business owners 'wishes' worth \$1,000 each to help them grow their business.

For the purposes of Intuit's studies, small businesses are classified as employing less than 20 people and generating an annual turnover of \$2 million or less.

Intuit's comments on the draft report

Intuit Australia congratulates the Productivity Commission on the preparation of a comprehensive draft report which takes into consideration the submissions provided on the Issues Paper released earlier this year.

While we agree with the Commission that Commonwealth and state/territory regulators are generally committed at senior levels to adopting leading business engagement practices and minimising unnecessary burdens for businesses, there is always a need for improvement.

To this end, Intuit welcomes the draft recommendations contained in the Commission's report, in particular draft recommendations 3.1, 4.1, 5.1 and 5.2:

"where possible, remove any unnecessary complexity in regulatory requirements and associated guidance material..." (draft recommendation 3.1)

"adopting an educative and facilitative approach to achieving compliance..." (draft recommendation 4.1)

"Regulators should ensure information and advice on regulatory requirements is readily available, up-to-date, reliable and provided in brief, clear and user friendly formats..." (draft recommendation 5.1)

"The widespread application of standard business reporting..." (draft recommendation 5.2)

Communicating regulatory requirements

Non-compliance, especially in the case of small business, is frequently associated with lack of awareness. Therefore, ensuring that small businesses understand what is required of them is vital to achieving government regulatory objectives and small business compliance.

According to Intuit's recent research relating to small business understanding of regulatory and legislative requirementsⁱ, only 1 in 4 small businesses claim to have very thorough understanding of the legislation and policies that apply to their business.

Further, more than half (55 per cent) of small business owners get by on a basic understanding of the legislation and policies that apply to their business and almost all small business owners (92 per cent) seek advice to help them understand the policies, legislation and laws affecting their business.

Intuit believes there should be a greater emphasis on removing any unnecessary complexity in regulatory requirements and ensuring information is reliable and in user-friendly formats. Improving information available on regulator websites is a positive step as 49 per cent of small business owners consult government websites to help them understand the policies, legislation and laws affecting their business.

A welcome recent development is the 'Small Business Assist' product launched by the Small Business Commissioner as an online service to provide a "one stop shop" for small business to access information on their tax and super obligations. It provides tailored information from a range of regulator websites in a simple, user-friendly format.

However, regulators must go beyond simply ensuring information is readily available and provided in user-friendly formats on their websites. We strongly support and recommend that there be an educative and facilitative approach adopted by regulators, involving working more closely with small business owners, and those that support them (like accountants), to assist with their compliance. Small businesses benefit from a proactive approach to the dissemination of information – 68 per cent reported relying on their accountants to keep abreast of regulatory requirements.

To this end, while the establishment of the Small Business Commissioner is a welcome initiative to assist industry and government to promote a consistent and coordinated approach to small business matters, we support the Commission's finding that there is scope for greater use by regulators of stakeholder advisory groups, such as those used by the Australian Taxation Office (ATO). These groups consist of small business operators from various sectors of the business community and representative organisations. The ATO also conducts regular small business webinars as well as a free and tailored small business assistance service within Australia. We encourage additional adoption of such stakeholder advisory groups.

Collecting information on compliance

Intuit is a supporter of the adoption of standardised business reporting (SBR) and we are looking forward to continued collaboration with ATO to incorporate SBR XBRL architecture in our cloud-based accounting software, QuickBooks Online®.

We agree with the Commission that supplying information to the regulator can be the most burdensome aspect of complying with regulation. According to Intuit's recent research relating to the administrative understanding of regulatory compliance for small businessⁱⁱ, on average, small business owners spend around a third of their time on administrative tasks (40 per cent of their time). 39 per cent of small business respondents report that having to undertake administrative tasks makes running their business less enjoyable.

Further, the main administrative tasks that take up small business owners' time include keeping a record of all transactions (57 per cent), entering transactions into the books (40 per cent), BAS and tax reporting (36 per cent) and paying bills and wages (34 per cent).

If implemented widely, SBR will reduce the cost of compliance to small business and ensure more consistent regulation. SBR was an idea initially put forward by the Coalition Howard Government as part of a larger effort to reduce red tape for businesses. The current Government's commitment to this effort has been demonstrated by their continued support of this initiative, including an \$80 million allocation in the budget for the SBR roll-out over the next four years. It is hoped that any incoming Government will continue to support the roll-out of SBR.

The majority of small business owners (69 per cent) have their business details online and 43 per cent would like government to make fiscal and business reporting easier therefore we can hope and expect uptake of SBR to be strong. Intuit recommends that the ATO accompany the roll-out of SBR with an education campaign focused on the small business sector and the

benefits of SBR adoption, consistent with the Commission's recommendation of adopting an educative and facilitative approach to achieving compliance. We look forward to collaborating with Government and our industry partners to help small businesses make the necessary transition to this new way of communicating with the Government on compliance activities.

Conclusion

Thank you for the opportunity to provide comment on the Productivity Commission's Draft Report on Regulator Engagement with Small Business.

Intuit supports the draft recommendations contained in the Commission's report, in particular draft recommendations 3.1, 4.1, 5.1 and 5.2.

We welcome the removal of any unnecessary complexity in regulatory requirements and ensuring information is reliable and in user-friendly formats, which is consistent with the adoption of an educative and facilitative approach to achieving compliance. We also support the expanded implementation of standardised business reporting (SBR), accompanied by an education campaign focused on the small business sector.

We look forward to partnering with industry, government and small businesses to work towards continued innovative entrepreneurship growth in Australia.

ⁱ Galaxy Research study of 1,019 small business owners across Australia for Intuit, June 2013.

ⁱⁱ Galaxy Research study of 753 small business owners across Australia for Intuit, September 2012.