

A New Tax System (Australian Business Number) Regulations 1999

1999 No. 231

EXPLANATORY STATEMENT

STATUTORY RULES 1999 NO. 231

Issued by authority of the Assistant Treasurer

A New Tax System (Australian Business Number) Act 1999

A New Tax System (Australian Business Number) Regulations 1999

Section 3 1. of the *A New Tax System (Australian Business Number) Act 1999* (the Act) provides that the Governor-General may make regulations prescribing matters required to give effect to the Act.

The purpose of these regulations is to prescribe details that are to be maintained in the Australian Business Register (the ABR) and to support the administrative processes involved in registering for an Australian Business Number (ABN).

The ABN Act introduced a new unique business identifier - the ABN. The ABN will be used in dealings between business and the Commonwealth, business to business dealings and in transactions with the public. The system will also be available to State, Territory and local government regulatory bodies for their registration identifier purposes.

The ABN will change business registration and allow business to meet its regulatory obligations and access information and assistance through a single business entry point to government. An ABN will be available to all companies registered under the Corporations Law, to government bodies and to other business entities in Australia. An ABN will also be available to other entities which need to be registered for the Goods and Services Tax (GST) such as charitable and religious institutions.

The Commissioner of Taxation as the Registrar of the Australian Business Numbers will issue ABNs and maintain the ABR. The ABR will be a public record of all entities with an ABN registration.

Details maintained in the ABR

Since the primary objective of the ABN is to allow business to meet its regulatory obligations and access information and assistance through a single business entry point to government, all basic identification information sought by different agencies will be collected and maintained in the ABR. The types of identification details that will be maintained in the ABR are:

- * an entity's Australian Company Number or the Australian Registered Body Number;
- * name of the company's Public Officer;
- * in the case of a trust, the name of the Trustee;
- * trading name/s;
- * principal place of business.:
- * kind of entity; and

* the Australian New Zealand Standard Industry Code of the main business activity.

The ABR will also contain other details that facilitate business dealings such as the e-mail address of the business, date of effect of any cancellation of ABN and a history of other relevant events subsequent to registration.

Administrative Processes

The ABN Act authorises fees (if any) to be levied on requests for certification and extraction of information from the ABR. A flat fee of \$20 plus ten cents per page will apply to all requests for a certified copy of or an extract from an entry in the ABR other than requests by an entity for extraction of its own details. The fee covers the cost of basic administrative procedures involved in processing inspection and extraction requests. Telephone enquiries confirming the ABN of another entity or telephone enquiries requesting information on whether an entity is registered for GST purposes will not attract a fee. Similarly, limited information provided for extraction from the ABR electronically by entities will not attract a fee.

The regulations will also require an entity to sign a declaration stating that the information it is providing on the registration form is true and correct. The applicant will be required to sign, date and detail their name and capacity in which the application is made on the declaration form.

Details of the regulations are set out in the Attachment. A Regulation Impact Statement is also attached.

ATTACHMENT

Details of the regulations are as follows:

Regulation 1: Provides the amending regulations are to be called the *A new Tax System (Australian Business Number) Regulations 1999*

Regulation 2: Allows for the proposed regulations to commence on gazettal

Regulation 3: Defines the terms 'entity' and 'Act' used in the regulations

Regulation 4: Links the definition of 'GST registration' to the *A New Tax System (Goods and Services Tax) Act 1999*.

Regulation 5: States when declaration should be made

Regulation 6: States the details that must appear in the ABR in respect of any entity

Regulation 7: States the details that must appear in respect of certain entities

Regulation 8: Provides for a fee for extraction of information from the ABR

Regulation Impact Statement

Policy objectives

1.40 The introduction of a new single business identifier - the Australian Business Number (ABN) - was announced by the Government on 13 August 1998 in *Tax Reform: not a new tax, a new tax system: The Howard Government's Plan for a New Tax System (ANTS)*.

1.41 Business, especially small business, currently deals with numerous regulatory bodies across government. Tax systems require business taxpayers to use different identification numbers for returns and payments under different tax types. In addition, identifiers are also used for many other government regulatory requirements.

1.42 The introduction of an ABN allows businesses to have a single business entity identifier for all Commonwealth purposes, and will provide an important opportunity to improve tax compliance. The ABN will facilitate business being able to meet its regulatory obligations and access information and assistance through one, or as few as possible, entry points to government through making it available to State and local government bodies.

1.43 An ABN will be available to all companies registered under the Corporations Law, to government bodies and to business entities in Australia. An ABN will also be available to other entities which need to be registered for the Goods and Services Tax such as charitable and religious institutions.

Implementation option

1.44 The Australian Taxation Office (ATO) has been selected by the Government to create and maintain the Australian Business Register. Each 'entity' that is genuinely carrying on an 'enterprise', together with government entities and companies registered under the Corporations

Law, will have a single business identifier - an ABN. The terms *entity* and *Enterprise* will be defined terms for ABN purposes.

1.45 The Commissioner of Taxation is to be the Registrar of the Australian Business Register (the Registrar) [section 28] and will report to the Minister annually, the Minister in turn tabling the report in Parliament, on the working of the Australian Business Register. [Section 29]

1.46 Before issuing an ABN to an entity, the Registrar will require the applicant to provide sufficient information to allow the Registrar to be satisfied as to the identity of the applicant, and where necessary, to establish that the entity is carrying on an enterprise, as defined. Once satisfied of these matters, the Registrar will issue an ABN to the entity.

1.47 Details provided by the applicant will be entered into the register, but only basic identification information will be publicly available. These provisions will apply from the date of Royal Assent.

Assessment of impacts (costs and benefits)

Impact group identification

1.48 All companies registered under the Corporations Law, government and business entities and those other entities which need to be registered for the Goods and Services Tax may apply for an ABN.

1.49 Individuals and organisations who deal with entities who have obtained an ABN.

1.50 Commonwealth, State or Territory and local government organisations who use the ABN as an identifier.

Assessments of costs

1.51 There are expected to be costs incurred by entities in changing to a new primary identifier number and since the ABN is to be a fully public number, some costs in facilitating this publicity.

1.52 In incorporating the ABN into their business, it is expected that entities will incur costs in:

1. registering for an ABN;
2. updating their administration/computer systems to incorporate the ABN in interbusiness transactions;
3. training staff on ABN use requirements which might require procedural change;
4. printing/amending stationery to display the ABN; and
5. possibly obtaining professional advice as to obligations under the ABN.

However, points 2 to 5 mostly relate to the subsequent use of the ABN once it is obtained and therefore compliance costs related to these points have been attributed to the GST and other tax reform measures that require that use of the ABN.

Number of Registrations

1.53 The estimated number of ABN registrations in 1999-2000 is 2.1 million. The following table shows the estimated number of registrations by entity type:

Entity	Number
'000	
Companies	650
Superannuation funds	150
Individuals	500
Partnerships	420
Trusts	180
Tax exempt bodies	200
Total	2,100

Implementation

1.54 Business will incur a small, but unquantifiable, cost to register for the ABN. However, this will be offset by reductions in the costs associated with dealing with government.

1.55 The impact of introducing an ABN may vary among entities. However, these costs are not expected to be significant as they mainly involve completing a form with readily available information (such as the business name and address). Any costs to business associated with the introduction of the ABN will be reduced by any eligible tax deductions.

Recurrent impact

1.56 Once businesses have registered for ABN purposes the benefit will be ongoing. The ABN will enable business to be identified by one number for all government purposes and will allow business to comply with regulatory requirements and receive government assistance and advice through fewer entry points. For example, if a business changes its address it will only need to notify one authority. These measures are consistent with the recommendations of the *Small Business Deregulation Taskforce*.

Cost to Government

1.57 The cost to the Government of implementing this measure is estimated to be \$12 million in 1998-99, \$45 million in 1999-2000 and \$35 million in 2000-01.

Assessments of benefits

1.58 The ABN will:

- * be able to be used as the sole identifier in a business' dealings with the Commonwealth;

- * be available to State, Territory and local government bodies to facilitate single entry point arrangements;
- * facilitate a single tax compliance statement for multiple obligations;
- * facilitate streamlining business interaction with the Commonwealth;
- * allow for, with appropriate changes to various governing legislation, the collection and distribution of information through a single entry point to all levels of government regulatory bodies; and
- * facilitate the streamlining of registration processes.

1.59 Businesses (especially small businesses) are likely to benefit from improved information flows from the Commonwealth, State, Territory and local government (through more accurate targeting, tailoring etc.). The introduction of the ABN is also anticipated to improve the flow of information from businesses to governments, reducing the number of forms to be completed and limiting the number of times a business will be asked. for similar information by different agencies.

1.60 The introduction of an ABN will assist the ATO to improve tax compliance. Businesses registered for GST will be generally required to issue an invoice quoting an ABN. If the ABN is absent in a business to business transaction, the business receiving the invoice will be required to withhold tax from their payments for goods or services (just as they do for payments to their workers). This will reduce the need for difficult judgements by businesses about whether the service providers they engage are employees or contractors.

Revenue gain

1.61 The effect of an ABN on the revenue cannot be separated from that of the GST and other tax reform measures it will facilitate. A gain from increased compliance of business with the tax laws from the introduction of the ABN and the GST is estimated to be \$800 million in 2000-01, \$1.43 billion in 2001-02 and \$1.35 billion in 2002-03.

Consultation

1.62 Consultation has been undertaken with various government stakeholders including the Australian Securities and Investments Commission, the Australian Bureau of Statistics and the Australian Customs Service. Targeted consultation, on the administrative framework for the scheme, will be undertaken during the initial implementation of the scheme.

Conclusion

1.63 The measure will implement the Government's decision, announced in ANTS, to introduce a single business identifier - an ABN - to make it possible for business to deal with all of the Commonwealth through one number.

1.64 The ABN will facilitate the implementation of the GST registration process. The ABN will make it increasingly possible for business to deal with government at one, or as few as possible, places. It will also reduce compliance costs for business by reducing requests from Commonwealth government agencies for information, and reducing paperwork. It may also streamline the provision of Commonwealth government services to business (especially small business).

1.65 The Treasury and the ATO will monitor this measure, as part of the whole taxation system, on an ongoing basis. In addition, the ATO has consultative arrangements in place to obtain feedback from professional and business associations and through other taxpayer forums.