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People pain: employment-related taxes the biggest burden for Australian businesses

- **Two thirds of privately held companies constrained by tax on employment, business profits or personal income**

Privately held businesses in Australia are straining against multiple employment taxes, according to the final Grant Thornton International Business report of 2008.

Almost a third (29%) of business owners rank employment-related taxes as the greatest burden on their business, followed by taxes on business profits (18%) and personal income tax (17%).

Companies in many states - including South Australia, Western Australia and New South Wales - believe that staff-related taxes are twice as excessive as corporate taxes, illustrating the strength of feeling around the volume and complexity of employment taxation in Australia.

Peter Godber, National Head of Taxation Services at Grant Thornton, commented:

“These findings send a clear signal to policy-makers involved in the Henry Tax Review. The cost of employment for businesses in Australia is unreasonably high, and there’s a real need to streamline the system to lighten the load on Australia’s entrepreneurs and incentivise employers.

“You would expect that business owners would be most concerned about taxes directly imposed on them: paying once on their company profits and again on the dividends they receive as an individual. However, this research shows that they’re more concerned by their multiple exposure to employment taxes, from paying the state for employing someone, right through to dealing with ambiguous areas like fringe benefits. Grant Thornton is hoping for real movement around this issue, and will feeding this point into the Review.”

Grant Thornton surveyed 7,800 international business owners across 34 economies on which aspects of taxation they saw as the greatest constraint on their business. Australian respondents put a higher emphasis on employment-related taxes than many of their international counterparts.

Whilst global respondents were equally downbeat about employment taxes and business profits (each taxation area receiving 24% of votes), Australian companies reserved their firepower for payments like payroll tax, workers’ comp and employment on-costs. The

focus rose from a national average of 29% to as much as 42% in Western Australia and 38% in South Australia. Victoria was the only state to place equal emphasis on staff-related taxes, and personal income tax.

- Ends –

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Notes to editors:

Regional Breakdown – Business Owner perspective on the most burdensome domestic taxes

| | SA | WA | NSW | QLD | VIC |
|-----|---------------------------------------|---|---|---------------------------------------|---------------------------------------|
| 1st | Employment-related taxes (38%) | Employment-related taxes (42%) | Employment-related taxes (30%) | Employment-related taxes (33%) | Employment-related taxes (25%) |
| 2nd | Business profits (18%) | Personal income tax (18%) | Business profits (15%) | Business profits (22%) | Personal income tax (25%) |
| 3rd | Personal income tax (16%) | Business profits (12%) | Personal income tax (11%) | Personal income tax (16%) | Business profits (15%) |
| 4th | Indirect taxes (10%) | Transfer/sale of real estate (8%) | = Indirect taxes (11%) | Gains made on selling a business (9%) | Indirect taxes (9%) |
| 5th | Transfer/sale of real estate (6%) | Indirect taxes (6%) | Gains made on selling a business (7.5%) | Indirect taxes (7%) | Gains made on selling a business (4%) |
| 6th | Wealth tax (4%) | Wealth tax (2%) | = Wealth tax (7.5%) | Customs duty (2%) | = Customs duty (4%) |
| 7th | Gains made on selling a business (2%) | = Gains made on selling a business (2%) | Customs duty (6%) | = Transfer/sale of real estate (2%) | Transfer/sale of real estate (2%) |
| 8th | | = Customs duty (2%) | Transfer/sale of real estate (2%) | | |

Approximately 250 medium to large Australian businesses participated in the survey in October 2007. Medium to large companies are defined as having between 20-299 employees.

The International Business Report

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 16 years of trend data for original EBS participants and 6 years for original IBOS countries. The 16 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 6 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2008, this resulted in a donation of almost US\$40,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.

About Grant Thornton Australia

From market-leading services for the owners of private businesses, to audit, to insolvency and capital markets services for corporations, and to innovative taxation and wealth management services for individuals, Grant Thornton in Australia helps business owners achieve success and realise their ambitions.