

# Small Business Benchmarks

Benchmarks are key financial ratios developed from information provided by businesses on activity statements and tax returns that can help you compare your business performance against similar businesses in an industry.

Benchmarks are published as a range to account for businesses with different annual turnovers, variations across financial years, regions and business models.

Benchmarks are a useful tool to help you meet your tax obligations by:

- obtaining guidance on what we normally expect to see in business reporting
- comparing your business with others in your industry
- working out if you need to adjust your business and record-keeping practices
- assessing whether your business is at risk of an audit.

## How does the ATO use benchmarks?

They use benchmarks, amongst other indicators, to identify businesses that may be avoiding their tax obligations by not reporting some or all of their income.

Information you report in your tax returns or BAS are compared with the key benchmark for your industry. They check to see whether you are reporting outside of the benchmark range for your turnover.

They identify the appropriate industry benchmarks for your business based on the information you provide to them, which includes:

- your business industry code
- the description of the main business activity on your income tax return
- the trading name of your business.

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## What if your business is outside a benchmark?

There may be reasons why a business reports outside of their benchmark. For example, they may have higher costs or lower selling prices than most other businesses in the industry. It is important that these are reflected in business records.

Being outside of the *key benchmark* may also indicate that a business may not be recording, reporting or paying tax on all their transactions, especially cash transactions.

If your business is reporting outside the benchmarks, we recommend you:

- review your record-keeping practices to ensure they meet the legal requirements
- check whether you have correctly reported all your income and expenses in your income tax returns or activity statements.

If you find that you have incorrectly reported your income and expenses, you should:

- correct the affected tax return or activity statement
- let the ATO know by making a voluntary disclosure.

While all reasonable care has been taken in the preparation of the publication, we do not accept any responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however, caused, or sustained by any person that relies on it.

Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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