



## **Information Paper**

# **Persons with Main Source of Income from Own Unincorporated Business**

## **Experimental Estimates for Small Areas**

**Australia**

**1996–97 to 2003–04**



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**1996–97 to 2003–04**

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## INQUIRIES

- For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070.

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## PREFACE

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The Australian Bureau of Statistics (ABS) is committed to a program of improving the range of small area data available to users of regional statistics. In addition to making existing data sources (both ABS and non-ABS) more easily accessible, administrative data collected by other government agencies are also being utilised to compile statistics at the regional level that have not been previously available.

This Information Paper describes and presents experimental regional income estimates relating to individuals whose principal, or main, source of personal income is derived from their own unincorporated business(es). The statistics are designed to provide information regarding the contribution of this population to the economic well-being of regions within Australia.

The estimates compiled to date are for the financial years 1996–97 to 2003–04 and are available for various levels of the Australian Standard Geographical Classification such as statistical local area, local government area, statistical subdivision and statistical division.

The estimates are based on Individual Income Tax Return data obtained from the Australian Taxation Office (ATO) and were provided to the ABS in aggregated form only, at the statistical local area level. No information about individual taxpayers has been released to the ABS. The ABS is very grateful to the ATO for the support it has given to this project.

These experimental estimates build on previously published statistics compiled from Individual Income Tax Return data, namely *Regional Wage and Salary Earner Statistics, Australia* (cat. no. 5673.0.55.001) and *Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data* (cat. no. 6524.0). The latter of these also utilised data from the then Australian Government Department of Family and Community Services.

The statistics presented in this paper are experimental in nature. Further work is planned to refine and improve the quality of the estimates, including compiling similar estimates for subsequent years. Any comments from readers regarding the usefulness, timeliness, range and quality of these data, and the explanations provided, are welcome. These can be forwarded to:

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GPO Box 2272, Adelaide SA 5001.  
Alternatively, email <regional.statistics@abs.gov.au>.

Brian Pink  
Australian Statistician

## ABBREVIATIONS

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'000	thousand
\$b	billion (thousand million) dollars
\$m	million dollars
A	Area
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ASGC	Australian Standard Geographical Classification
ATO	Australian Taxation Office
Bal	Balance
C	City
FaCS	Australian Government Department of Family and Community Services
LFS	Labour Force Survey
LGA	local government area
M	Municipality
no.	number
NSW	New South Wales
NT	Northern Territory
OUB	own unincorporated business
PAYG	pay-as-you-go tax
PSIOUB	persons whose principal source of income is derived from own unincorporated business(es)
Qld	Queensland
RSE	relative standard error
S	Shire
SA	South Australia
SE	standard error
SIH	Survey of Income and Housing
SLA	statistical local area
SSD	statistical subdivision
T	Town
Tas.	Tasmania
Unincorp.	Unincorporated
Vic.	Victoria
W&S	wage and salary
WA	Western Australia



# INTRODUCTION

## OVERVIEW

This publication presents experimental regional income estimates, based on Individual Income Tax Return data from the Australian Taxation Office (ATO), relating to persons whose principal source of personal income is derived from their own unincorporated business(es). Throughout this publication this population is referred to as PSIOUB.

Income estimates for PSIOUB have been compiled for the following:

- total personal income from own unincorporated business
- average personal income from own unincorporated business
- total personal income from all sources, and
- average total personal income from all sources.

The estimates contained in this publication cover the financial years 1996–97 to 2003–04 and relate to the following levels of the Australian Standard Geographical Classification (ASGC):

- local government area (LGA)
- Section of State (SOS)
- state and territory, and
- Australia.

Data for 1996–97 to 2003–04 by statistical local area (SLA), LGA, statistical subdivision (SSD) and other geographic levels are available as data cubes (in Excel spreadsheets) from the ABS web site. Refer to *Persons with Main Source of Income from Own Unincorporated Business, Experimental Estimates for Small Areas - Data Cubes, 1996–97 to 2003–04* (cat. no. 6225.0.55.001).

## CONTEXT

In January 2006, the ABS released an Information Development Plan (IDP) for rural and regional statistics which provides a detailed overview of the concepts, issues and themes associated in this field of statistics. The IDP focusses on the nature and extent of current statistical demand and sets out a series of statistical development recommendations, or priority information needs, to expand the future availability and accessibility of rural and regional statistics in Australia. These recommendations have since guided the ABS' forward work program in relation to regional statistical issues.

The data developed for PSIOUB and presented in this publication contributes towards one of the priority information needs identified in the IDP, namely Recommendation 4:

"improving the availability of data on regional economic well-being, by investigating opportunities for the further development of estimates of income..."

Most personal income information for small areas is only available every five years from the ABS Census of Population and Housing. The use of Individual Income Tax Return data from the ATO, however, provides the opportunity for the production of a new range of statistically robust estimates, on an annual basis, at a much finer level of geography than is achievable in ABS sample surveys. The recording of a person's current home address postcode on the tax return provides the potential for a wide range of regional analyses to be undertaken.

To date the ABS has utilised Individual Income Tax Return data from the ATO, for regional statistics purposes, to provide alternative measures of labour market activity and earned income (focussing specifically on wage and salary earners and their characteristics) as well as producing estimates of the total aggregated personal income of

## INTRODUCTION *continued*

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### CONTEXT *continued*

the population including the different sources from which people derive their income. Data from the then Australian Government Department of Family and Community Services were used in conjunction with the ATO data to compile the total income and source of income estimates. Refer to Appendix 1: Related publications and references for a list of these releases.

This Information Paper extends the use of Individual Income Tax Return data by presenting additional estimates of a particular component of personal income that provides further insight about regional economic well-being.

Note: For further details about the rural and regional statistics IDP recommendations refer to: *Information Paper: Regional Policy and Research in Australia - the Statistical Dimension: Information Development Plan for Rural and Regional Statistics, 2005* (cat. no.1362.0).

### SOURCE OF DATA

The ATO collects information from individuals as part of its processes of calculating income tax liability for persons who are required to lodge an income tax return. This information, which includes the majority of a person's total income from various sources over a financial year, is recorded on the Individual Income Tax Return.

The ATO Individual Income Tax Return Database covers all individuals who submit an Individual Income Tax Return and includes a range of data including income from sources such as:

- Salary or wages
- Allowances, earnings, tips, director's fees, etc.
- Commonwealth of Australia government pensions and allowances
- Other Australian pensions or annuities-including superannuation pensions
- Gross interest
- Dividends
- Rent
- Net income or loss from business
- Personal services income, and
- Distributions from partnerships and trusts.

The data are collected via the ATO's Form I, Individual Income Tax Return and for most income sources provide a comprehensive coverage of personal income received over a financial year.

## INTRODUCTION *continued*

### DEFINITION OF PSIOUB

The statistics shown in this publication refer to:

persons aged 15 years and over who have submitted an Individual Income Tax Return and for whom income from their own unincorporated business, or businesses, was the principal (or main) source of their personal income for the financial year.

There are four main types of business structure commonly used by business in Australia.

These are:

- sole trader
- partnership
- trust, and
- company.

The structure that a person adopts for their business will determine the way their business income is assessed for income tax purposes. Generally, the income of a business that is structured as a sole trader, partnership or trust is treated as a person's individual or personal income.

If a person creates a company to operate his/her own business (i.e. the business is incorporated) then it is likely that the person will be an employee or director of their company. These persons are excluded from the estimates presented in this publication, but are included in other previously published data series (refer to: Appendix 1: Related publications and references).

Income from own unincorporated business has been defined as the total aggregated income received from the following business-related data items as reported on the Individual Income Tax Return:

- net business income (or loss)
- distribution from partnerships
- distribution from trusts (primary production only), and
- net personal services income.

The following paragraphs contain an explanation of these income sources and the rationale for inclusion in the definition of PSIOUB.

#### *Net business income (or loss)*

Net business income (or loss) generally relates to sole traders. A sole trader is an individual who is trading on their own and that person controls and manages the business. A sole trader may have other persons employed in their business.

Net business income (or loss) is the amount of income (or loss) derived by the individual from primary and/or non-primary production business activities after deduction of relevant business expenses. Net income or loss from business is transferred from the Business and Professional Items Schedule, where full details of business income and expense items are completed, to the Individual Income Tax Return. In the 2004 Tax Return for Individuals (Supplementary Section), net business income (or loss) was reported in question 14. Note: this form is available on the ATO web site <[www.ato.gov.au](http://www.ato.gov.au)>.

## INTRODUCTION *continued*

### *Net business income (or loss) continued*

Note: Net business income does not include the income of owners of incorporated business(es) (i.e. a company). Owners of incorporated businesses usually pay themselves a wage or draw director's fees and therefore complete their personal income details under 'salary or wages' (i.e. are classed as employees) on the Income Tax Return.

### *Distribution from partnerships*

For tax purposes, a partnership is an association of people who carry on a business as partners or who receive income jointly. Note: this does not include a company. Partners contribute their time, talents and/or capital towards the partnership and, in return, share in both the profits/losses and responsibilities. A partnership (except a limited partnership, which is treated like a company for tax purposes) does not pay tax in its own right. Members of the partnership pay tax at their individual tax rate on their share of partnership income included on their individual tax return. Distribution from a partnership is the individual's share of the partnerships' income or loss. In the 2004 Tax Return for Individuals (Supplementary Section), distributions from partnerships, for primary and/or non-primary production activities, were reported in question 12. Note: this form is available on the ATO web site <[www.ato.gov.au](http://www.ato.gov.au)>.

### *Distribution from trusts*

The inclusion and treatment of trusts is complex as they may be classified in many different ways. A trust exists where a person or company, the 'trustee', is under an obligation to hold property or income for the benefit of other people, known as 'beneficiaries'. This obligation usually arises under the express terms of a trust, but may also be imposed by court order or declaration, or by the operation of law. Although the trustee holds the legal title to the property, they must deal with it in accordance with the terms of the trust for the benefit of the beneficiaries. A trust may carry on a business. Distribution from the trust(s) is the individual's share of the trust's income or loss.

#### DISTRIBUTION FROM TRUSTS - PRIMARY PRODUCTION

For the purposes of defining PSIOUB, only distributions from trusts with primary production activity have been included under the broad assumption that these individuals were mainly involved in their own farm business. For tax purposes, primary production activity refers to production resulting directly from the cultivation of land; the maintenance of animals or poultry for the purpose of selling them or their bodily produce, including natural increase; fishing operations; forest operations and horticulture; and includes the manufacture of dairy produce by the person who produced the raw material used in that manufacture.

In the 2004 Tax Return for Individuals (Supplementary Section), distributions from trusts - primary production, were reported in question 12. Note: this form is available on the ATO web site <[www.ato.gov.au](http://www.ato.gov.au)>.

#### DISTRIBUTION FROM TRUSTS - NON-PRIMARY PRODUCTION

Distributions from trusts for non-primary production activities have been excluded from the definition of PSIOUB as this includes income from a range of other activities, many of which do not relate to an individual working in their own business. Further investigation of trust data indicated that the majority of the distributions from non-primary production trusts were from investment products such as property trusts, cash management trusts, money market trusts, mortgage trusts and unit trusts. The analysis showed that only around 10% of individuals with non-primary production trust distributions received

## INTRODUCTION *continued*

*Distribution from trusts  
continued*

DISTRIBUTION FROM TRUSTS - NON-PRIMARY PRODUCTION *continued*  
these from activities in their own business. As there was no practical way to categorise the data further, all data for distributions from trusts - non-primary production are included in the investment income category when defining the principal source of income (see 'Deriving principal source of income').

*Net personal services  
income*

Net personal services income is the net income received by persons, including contractors and consultants, as a reward for their personal efforts or skills. It applies to persons receiving such income as a sole trader and is calculated by deducting operating expenses from the income generated by the business activity. Examples of personal services income include: income of a professional practitioner in a sole practice; income payable under a contract which is wholly or principally for the labour or services of a person; income derived by a professional sportsperson or entertainer from the exercise of professional skills; and income derived by consultants from the exercise of personal expertise. Net personal services income (or loss) is transferred from the Business and Professional Items Schedule, where full details are completed, to the Individual Income Tax Return. In the 2004 Tax Return for Individuals (Supplementary Section), net personal services income was reported in question 13. Note: this form is available on the ATO web site <www.ato.gov.au>.

SUMMARY OF OWN  
UNINCORPORATED  
BUSINESS INCOME  
SOURCES

Table 1.1 lists the income sources used to define 'own unincorporated business income' along with the references to the questions and data item labels as recorded on the Individual Income Tax Return for the year 2003–04. Further information regarding each of these data items can be obtained from the ATO's TaxPack Supplement (NAT 2677) publication (go to 'Booklets & publications' at <www.ato.gov.au>).

### **1.1** INCOME SOURCES USED TO DEFINE PERSONS IN THEIR OWN UNINCORPORATED BUSINESS

<i>Income source</i>	<i>Data item reference(a)</i>
	2003-04
Net business income – primary production	Q14-B
Net business income – non-primary production	Q14-C
Distribution from partnerships – primary production	Q12-N
Distribution from partnerships – non-primary production	Q12-O
Distribution from trusts – primary production	Q12-L
Net personal services income	Q13-A

(a) Refers to data item on the Individual Income Tax Return where Q is the question number and the last letter refers to the data item label. (e.g. Q14-B refers to question 14, data item B).

DERIVING PRINCIPAL  
SOURCE OF INCOME

The above six categories make up the ABS definition, for the purposes of the regional statistics presented here, of the personal income derived from a person's own unincorporated business(es). When the aggregate of these categories for an individual is greater than the income from each of the following other groups of income separately, if applicable, then the person is classified as deriving their principal or main source of income from their own unincorporated business.

## INTRODUCTION *continued*

### DERIVING PRINCIPAL SOURCE OF INCOME *continued*

These other income groups are:

- salary or wages (including allowances earnings tips and director's fees)
- Commonwealth of Australia government pensions, allowances and other payments
- superannuation and annuities
- investments (i.e. aggregate of gross interest, dividends, net rent and distributions from trusts - non-primary production), and
- other income (e.g. foreign source income).

For example: A person reports the following income in their Individual Income Tax Return;

- \$10,000 wage and salary income
- \$7,000 distribution from partnerships – non-primary production
- \$5,000 personal services income (as a sole trader)
- \$2,000 dividends, and
- \$500 gross interest.

Based on the above definitions, these would be grouped as follows to establish the principal source of income:

- \$10,000 wage and salary income
- \$12,000 own unincorporated business income (aggregate of \$7,000 distribution from partnerships – non-primary production and \$5,000 personal services income), and
- \$2,500 investment income (aggregate of \$2,000 dividends and \$500 gross interest).

As the aggregate of the income for the categories that make up own unincorporated business income (\$12,000) is greater than the income for each of the other groups of income separately (\$10,000 wage and salary and \$2,500 investment income), the person is classified as deriving their principal source of personal income from their own unincorporated business.

Further details about the income data items on the Individual Income Tax Return that make up each of the other source of income groups are included in the Glossary.

While this definition reflects those persons whose principal source of income is derived from their own unincorporated business(es) it can also broadly indicate the main employment status or activity of an individual during a financial year.

### COVERAGE

Table 1.2 illustrates the coverage the ABS categorisation of the ATO database provides for the purposes of compiling experimental estimates of regional economic and labour market activity. This incorporates both the measures of persons whose principal source of personal income is derived from their own unincorporated business(es) and the previously published measures of wage and salary earners (also defined by principal source of income).

Note: The figures referenced in Table 1.2 in relation to the number of persons lodging Individual Income Tax Returns and the income reported for the 2003–04 reference year are consistent with those published by the Australian Taxation Office in the *Taxation Statistics 2003–04* publication. Readers are advised that these figures have since been updated in the release of *Taxation Statistics 2004–05*. Refer to 'Processing of Tax Returns' on page 8 for further information.

## INTRODUCTION *continued*

### COVERAGE *continued*

Just under 11 million people lodged 2003–04 Individual Income Tax Returns to the ATO. Of these people, 8.2% were defined as PSIOUB. The personal income from own unincorporated business earned by PSIOUB (\$31.4b) accounted for 7.6% of all income reported.

In comparison, the number of persons in the 2003–04 reference year with wages and salaries as their principal source of income totalled around 7.8 million people, or 71.3% of all persons who lodged an Individual Income Tax Return. The wage and salary income of these wage and salary earners represented 73.4% of all income reported by individuals to the ATO.

### **1.2** PERSONS LODGING INDIVIDUAL INCOME TAX RETURNS— 2003–04

	TOTAL LODGEMENTS		PROPORTION OF LODGEMENTS	
	<i>Persons</i>	<i>Income</i>	<i>Persons</i>	<i>Income</i>
	'000	\$b	%	%
All persons lodging tax return	10 978.9	414.1	100.0	100.0
<b><i>Own unincorporated business income</i></b>				
OUB income as main source of income	904.8	31.4	8.2	7.6
<b><i>Wage and salary income</i></b>				
W&S income as main source of income	7 831.9	304.0	71.3	73.4
<b><i>Other income</i></b>				
Other income(a) (b)	2 242.2	78.7	20.4	19.0

- (a) Person count shows number of persons whose main source of income was not OUB or wage and salary.
- (b) Income value includes income earned by PSIOUB from income sources other than OUB, and income earned by W&S earners from income sources other than wage and salary.

Source: ATO Individual Income Tax Returns Data

### REFERENCE PERIOD

The statistics compiled from the ATO database are based on Individual Income Tax Returns lodged for each financial year ended 30 June, regardless of the year in which they were processed.

### METHODOLOGY TO COMPILE SLA ESTIMATES

The geographic identifier available on the ATO Individual Income Tax Return Database that enables small area data to be compiled is the postcode of the current home address of the individual. The methodology used to compile SLA estimates is relatively simple with population based concordances, or conversion factors, being used to prorate ATO aggregated postcode data to derive estimates for SLAs. The concordance process is described in more detail in Appendix 2.

The statistics presented in this publication, have been calculated on SLA boundaries effective as at 1 July 2004 as defined in the Detailed Main Structure of the *Australian Standard Geographical Classification (ASGC), 2004* (cat. no. 1216.0).

## INTRODUCTION *continued*

### ROUNDING

The statistics have been rounded following the conversion, by the ATO, of aggregated postcode data to estimates for SLAs. Accuracy to the last digit is not claimed and should not be assumed. Discrepancies may occur between the sums of the component items and totals. Proportions, rates and averages have been calculated on rounded figures.

### CONFIDENTIALITY

All individual income tax data provided to the ABS by the ATO have been in aggregated form only, at the SLA level. Information about individual taxpayers has not been released to the ABS. In addition, to ensure that no information is published that may inadvertently identify an individual, a confidentiality process has been applied to the data that adjusts cells in tables with small values. This random adjustment does not impair the overall information value of the statistics, but as some small cells may be altered to zero, caution should be exercised in deducing that there are no people in an area with certain characteristics. In general, no reliance should be placed on cells with small values in tables.

### DATA CONSIDERATIONS

Administrative data are designed for particular government management purposes and therefore may have some limitations for statistical use. However, they can provide an alternative and cost-effective means of compiling statistical information. The ATO database is a valuable data source in its own right and, as is the case with most administrative datasets, users need to be aware of the purposes for which the data are collected. Some of the aspects to be considered are briefly outlined below.

#### Coverage

#### PROCESSING OF TAX RETURNS

The data presented in this publication, particularly for latter years, were compiled before the processing of all income tax returns for any given year may have been completed.

The statistics for the years 1996–97 to 1999–00 were compiled from Individual Income Tax Returns processed up to 31 October 2002, data for 2000–01 were compiled from returns processed up to 31 October 2003, data for 2001–02, 2002–03 and 2003–04 were compiled from returns processed up to 31 October 2005.

The proportion of tax returns processed each year can vary, however data for the earlier years in this series (e.g. 1996–97 to 1998–99) are more complete than data for the latter years (e.g. 1999–00 to 2003–04) as more returns had been processed at the time the estimates were compiled. For example, data for 1998–99 include returns processed over a 40 month period after the end of the income tax year while data for 2003–04 include returns processed over a 16 month period.



## INTRODUCTION *continued*

Coverage *continued*

PROCESSING OF TAX RETURNS *continued*

### **1.3** AUSTRALIAN TAXATION OFFICE PROCESSING SCHEDULE FOR INDIVIDUAL INCOME TAX RETURN DATA PROVIDED TO ABS

<i>Financial Year</i>	<i>Cut-off Date</i>	<i>Processing Time (months)</i>
1996-97	31 October 2002	64
1997-98	31 October 2002	52
1998-99	31 October 2002	40
1999-00	31 October 2002	28
2000-01	31 October 2003	28
2001-02	31 October 2005	40
2002-03	31 October 2005	28
2003-04	31 October 2005	16

While the overall total of personal income from own unincorporated business for PSIOUB is not expected to be significantly effected by these timing issues, a greater impact may be evident for counts of persons. An analysis of annual updated data published in *Taxation Statistics, 2003-04* for net business income as reported indicates that up to an additional 10% of persons with business income may lodge their income tax returns after the initial processing of returns (usually by the following October, or 28 months, after the income tax year). This proportion has increased in recent years which may partly explain the apparent decline in this population over the last few years (e.g. an additional year of processing returns has resulted in 1999-00 data for persons with business income increasing 4.7%, 2000-01 data increasing 6.6%, 2001-02 data increasing 8.8% and 2002-03 data increasing 6.0%). In general, caution should be exercised when making comparisons over time, particularly in respect to the number of persons whose principal source of income is derived from their own unincorporated business.

A potential solution to this may be to obtain annual updated data for previous years that include further records that may have been processed after the initial compilation of the statistics. For example, as indicated above, estimates for 2003-04 were compiled from returns processed up to 31 October 2005 (or 16 months after the end of the income tax year). Updated data for 2003-04 could include returns processed up to 31 October 2006 (28 months after the end of the income tax year) in the first instance followed by a second update that could include returns processed up to 31 October 2007 (40 months after the end of the income tax year). The ABS is currently investigating whether such an approach is feasible, given resource, timing and other constraints.

#### EXCLUSION OF PERSONS WITH DISTRIBUTION FROM TRUSTS - NON-PRIMARY PRODUCTION

The exclusion of persons with distribution from trusts - non-primary production will also result in slightly lower estimates of the number of persons with PSIOUB being recorded (see 'Distribution from trusts', page 4).

## INTRODUCTION *continued*

### *Regional estimation*

#### CONCORDANCE

In applying the postcode to SLA concordances to produce estimates by SLA it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode. Resulting statistics will therefore only be accurate if the variable being concorded is distributed across the postcode area in the same way that the total population is distributed. For the purposes of these estimates it has been assumed that persons whose principal source of income is derived from their own unincorporated business are distributed across a postcode area in the same way as the total population. Further details about the concordance process are provided in Appendix 2.

#### ADDRESS DETAILS

These data are based on the home address postcode reported on tax returns. Some persons may move address over the course of a year and consequently the personal income earned from their own unincorporated business may not all relate to the residential postcode area, and consequently the SLA, shown on their income tax return.

### *Summary*

The issues outlined above are not considered to be so severe that they would lead to the production of misleading information. As with any series based on administrative data, readers are cautioned to be aware of these limitations and take them into account when analysing the results. Readers should also be aware of the information outlined later in this publication regarding the comparison of the ATO-sourced data with that derived from ABS collections such as the Survey of Income and Housing (SIH) and the Labour Force Survey (LFS).

### COMPARISON WITH ABS DATA

As mentioned in the Introduction, most ABS collections (other than, for example, the Census of Population and Housing) do not produce statistically robust estimates for small areas. The ATO-sourced data, however, can be produced for all levels of the ASGC and, as a result, comparison can be made between the estimates in this publication and those from other ABS collections at the Australia, state/territory and in some cases at the Statistical Region or Labour Force Dissemination Region levels.

### *Income*

Estimates of personal income derived from own unincorporated businesses for PSIOUB, similar to those included in this publication, can be produced from the ABS Survey of Income and Housing. 'Previous financial year' own unincorporated business income data from SIH can be used to categorise survey responses into those with own unincorporated business income as their principal income source. The income earned for these respondents can then be calculated and compared to the PSIOUB income estimates sourced from ATO data.

Overall, the ATO-based personal income estimates are reasonably similar to SIH estimates at the national level. They generally lie within the bounds of one standard error of the ABS survey estimates. Further details relating to this comparison are provided in Section 3.

## INTRODUCTION *continued*

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### *Number of persons*

This publication contains estimates of the average personal income earned by PSIOUB. These estimates are not only affected by the quality of the total income data, but also by the quality of the data on the number of PSIOUB. To assess the accuracy of this latter piece of information, ATO-based estimates have also been compared to estimates derived from SIH and the LFS.

Overall, the number of persons, as estimated from ATO data, are greater than the number estimated from SIH and fewer than the number recorded in the LFS. However, the ATO-based estimates of the number of PSIOUB lie outside the bounds of one standard error of the SIH estimates. Further details relating to this comparison exercise are provided in Section 3.

The scope, coverage and definitions of each series explains some of these differences. For example, by definition, persons who record a net loss from their own unincorporated business activities for the financial year or show a very small profit (and have any income from other sources), will not be defined as persons with principal source of income from their own unincorporated business even though this may be their main employment status.

### FUTURE PLANS

The ABS plans to release similar estimates for subsequent years on a regular basis. It is generally expected that these estimates would be available approximately 20 – 24 months after the end of the income tax year. In addition, updated data to account for returns processed after initial estimates were compiled and other refinements may be made to the data series as part of the ongoing process of improving the overall accuracy and quality of the statistics.

The potential also exists to expand the availability of regional statistics by investigating and developing other indicators from ATO administrative data as well as compiling other indicators from other administrative data sources.

## SUMMARY OF FINDINGS

### AUSTRALIA

In 2003–04, it was estimated that there were just under 905,000 persons in Australia whose principal source of income was derived from their own unincorporated business(es), down from 1,019,181 persons in 1996–97.

#### **2.1** PERSONS WHOSE MAIN SOURCE OF INCOME DERIVED FROM OWN UNINCORPORATED BUSINESS, Australia—1996–97 to 2003–04



Source: ATO Individual Income Tax Data

Total personal income earned by these persons from their unincorporated business(es) in 2003–04 was \$31.4 billion or an average of \$34,697 per person. In comparison, the average total personal income of these people from all sources, i.e. taking into account income from other sources such as wages and salaries, investments, etc., was around 10.8% higher at \$38,455.

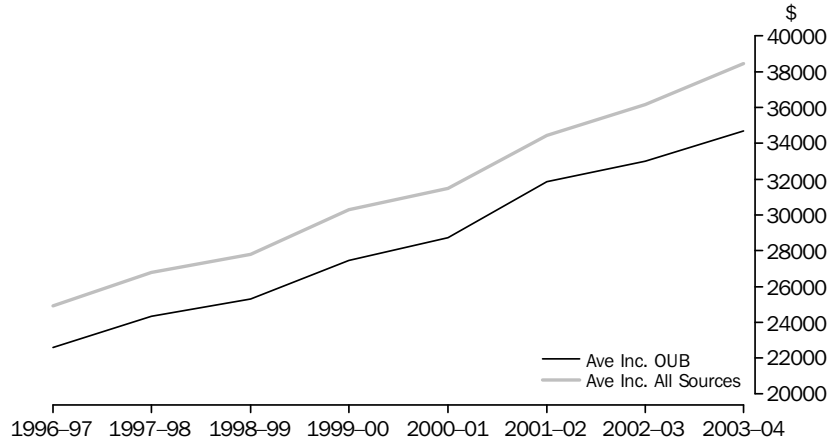
In 1996–97, the total personal income derived by PSIOUB from their own unincorporated business(es) was \$23.0 billion or an average of \$22,610. The average gross personal income of these people from all sources was around 10.3% higher at \$24,933.

Between 1996–97 and 2003–04, the average personal income from own unincorporated business(es) for this population increased by 53.5% or \$12,087. This represents an average annual increase of 6.3% per annum. Their average total personal income from all sources also increased over this period by 54.2% or \$13,522 in total, for an average annual increase of 6.4%.

## SUMMARY OF FINDINGS *continued*

AUSTRALIA *continued*

### **2.2** AVERAGE PERSONAL INCOME DERIVED FROM OWN UNINCORPORATED BUSINESS AND ALL SOURCES, PSIOUB, Australia—1996–97 to 2003–04

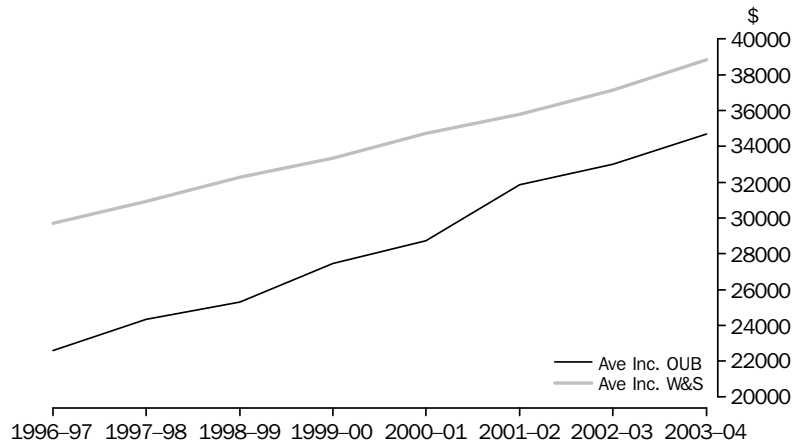


Source: ATO Individual Income Tax Data

The PSIOUB results have also been compared with estimates published in *Regional Wage and Salary Earner Statistics, Australia* (cat. no. 5673.0.55.003), where wage and salary earners have also been defined by principal source of income. In all financial years from 1996–97 to 2003–04, average personal income derived by PSIOUB from their own unincorporated business(es) was lower than the average wage and salary income earned by persons for whom wages and salaries was their principal income source.

These two series have shown different growth rates over this period, with the PSIOUB average of earned personal income increasing by 53.5% (from \$22,610 in 1996–97 to \$34,697 in 2003–04) compared with an increase of 30.8% in average wage and salary income for persons whose principal source of income is derived from wages and salaries (from \$29,684 in 1996–97 to \$38,820 in 2003–04).

### **2.3** AVERAGE PERSONAL INCOME DERIVED FROM OWN UNINCORPORATED BUSINESS AND AVERAGE INCOME DERIVED FROM WAGES AND SALARIES, Australia—1996–97 to 2003–04



Source: ATO Individual Income Tax Data

## SUMMARY OF FINDINGS *continued*

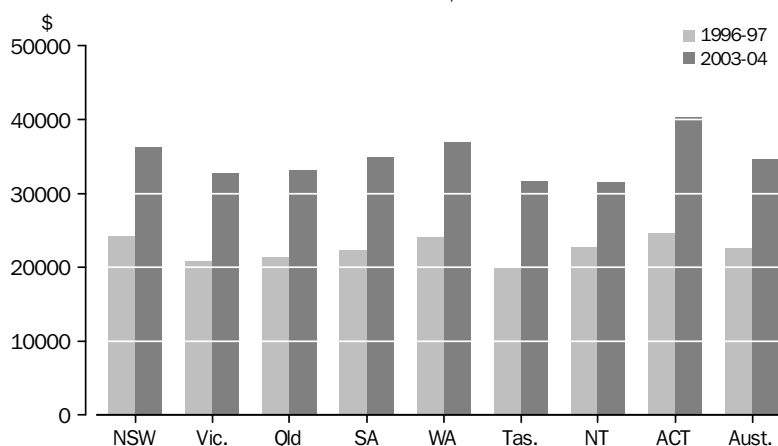
### STATES AND TERRITORIES

The distribution of PSIOUB across the states and territories is similar to the distribution of the general population aged 15 years and over. In 2003–04, most PSIOUB were located in New South Wales (around 32% compared with 34% for the total population aged 15 years and over) and the least were located in the Northern Territory (0.6% compared with 0.9% for the total population aged 15 years and over).

Average personal incomes derived by PSIOUB from their own unincorporated business(es) varied across the states and territories. The Australian Capital Territory had the highest average for these persons in 2003–04, estimated at \$40,277, while persons in the Northern Territory had the lowest (\$31,499). The averages for the Australian Capital Territory, Western Australia, New South Wales and South Australia were above the national average. The Australian Capital Territory recorded the highest average for seven of the eight years (1996–97 to 2003–04) for which this data series has been compiled. South Australia had the highest average income derived by PSIOUB from their own unincorporated business(es) in 2001–02.

The largest increase in average income by PSIOUB from own unincorporated business(es) between 1996–97 and 2003–04, both in percentage and absolute terms, was also recorded for the Australian Capital Territory where the average rose by 63.2% from \$24,677 to \$40,277. This represented an average annual growth rate of 7.3%. The smallest increase, also both in percentage and absolute terms, between 1996–97 and 2003–04 was recorded for the Northern Territory (up 38.3% from \$22,783 to \$31,499 or an average annual growth rate of 4.7%).

**2.4** AVERAGE PERSONAL INCOME DERIVED FROM OWN UNINCORPORATED BUSINESS, PSIOUB—1996–97 and 2003–04



Source: ATO Individual Income Tax Data

## SUMMARY OF FINDINGS *continued*

### SECTION OF STATE

The distribution of PSIOUB across urban and rural Australia displayed a different pattern to the distribution of the general population aged 15 years and over.

In 2003–04, around 66% of Australia's total population aged 15 years and over resided in Major Urban areas (cities/urban centres etc with 100,000+ persons), 22% in Other Urban areas (1,000 to 99,999 persons) and 12% in Rural areas (the remainder of Australia). The distribution for PSIOUB for the same period was around 56% (Major Urban), 25% (Other Urban) and 19% (for the rural balance of Australia). This most likely reflects the prominence of small business in rural and regional areas and hence the importance of this business arrangement to regional economies.

In comparison, the distribution of employees (or persons whose main source of income was from wage and salary) across Major Urban, Other Urban and the Rural balance of Australia is similar to the distribution of all persons aged 15 and over (69%, 20% and 11% respectively).

Average personal incomes derived by PSIOUB from their own unincorporated business(es) in Major Urban areas of Australia are generally higher than the average for persons in Other Urban and Rural areas. This difference fluctuated from year to year, which may in part reflect the outcomes of good and bad years in the agricultural sector or other factors such as the timing of expenditure items off-set against income.

In 2003–04, the average for Major Urban areas of Australia was \$37,532 compared with an average of \$31,029 for persons in Other Urban areas and an average of \$31,062 for persons in the remaining Rural areas of Australia, a difference of \$6,503 and \$6,470 respectively.

**2.5** AVERAGE PERSONAL INCOME DERIVED FROM OWN UNINCORPORATED BUSINESS, PSIOUB, Major Urban, Other Urban and Rural Australia—1996–97 to 2003–04



(a) Rural includes 'Bounded Locality', 'Rural Balance' and 'Migratory'

Source: ATO Individual Income Tax Data

## SUMMARY OF FINDINGS *continued*

### LOCAL GOVERNMENT AREAS

In 2003–04, PSIOUB in the Local Government Area (LGA) of Mosman (A) in Sydney had the highest average personal income from their own unincorporated business(es) of all LGAs in Australia at \$151,960. Woollahra (A) also in Sydney, had the second highest average at \$134,843.

Mosman (A), Woollahra (A), the neighbouring inner Perth LGAs of Cottesloe (T) (\$119,983) and Nedlands (C) (\$117,654) and the Sydney district LGAs of Hunter's Hill (A) (\$110,073) and Ku-ring-gai (A) (\$101,110), were the only LGAs where average personal incomes of PSIOUB from their own unincorporated business(es) was in excess of \$100,000 per annum in 2003–04. Results of the 2001 Census of Population and Housing showed that these urban areas are characterised by high numbers of persons in their own businesses in professional occupations such as the legal and medical professions as well as accountants and architects.

The Western Australian Shires of Kent, Yilgarn and Mingenew had the highest average incomes from own unincorporated business of the non-urban LGAs in the nation in 2003–04, at \$67,034, \$67,003 and \$65,343 respectively. The economies of these areas are primarily agriculture based, mainly grains, legumes, sheep and cattle.

### **2.6** LGAS WITH HIGHEST AVERAGE PERSONAL INCOME FROM OWN UNINCORP BUSINESS, PSIOUB(a)(b), Australia—2003–04

<i>Local Government Areas</i>		<i>Persons – principal source of income derived from own unincorp business</i>	<i>Total personal income derived from own unincorp business</i>	<i>Average personal income derived from own unincorp business</i>	<i>Total personal income from all sources</i>
<i>State/Territory</i>	<i>Local Government Area</i>	<i>no.</i>	<i>\$m</i>	<i>\$</i>	<i>\$m</i>
NSW	Mosman (A)	1 196	181.7	151 960	200.8
NSW	Woollahra (A)	2 832	381.9	134 843	444.0
WA	Cottesloe (T)	406	48.7	119 983	53.4
WA	Nedlands (C)	968	113.9	117 654	132.8
NSW	Hunter's Hill (A)	523	57.6	110 073	63.9
NSW	Ku-ring-gai (A)	4 137	418.3	101 110	464.4
Vic.	Stonnington (C)	3 503	336.1	95 959	383.1
WA	Claremont (T)	393	35.8	91 145	40.6
SA	Walkerville (M)	314	28.1	89 533	31.1
NSW	North Sydney (A)	2 176	194.2	89 248	214.6
WA	Subiaco (C)	746	66.3	88 913	77.1
Vic.	Boroondara (C)	5 843	490.2	83 897	552.0
NSW	Lane Cove (A)	1 243	103.8	83 521	116.9
NSW	Willoughby (C)	2 556	204.6	80 041	227.4
WA	Mosman Park (T)	338	26.3	77 768	29.7
<b>Total Australia</b>		<b>904 769</b>	<b>31 392.7</b>	<b>34 697</b>	<b>34 793.2</b>

(a) Excludes LGAs with less than 100 persons.

(b) Boundaries as at ASGC 2004.

Source: ATO Individual Income Tax Data



## COMPARISON WITH ABS DATA

### INTRODUCTION

In this section, national and state/territory level experimental estimates of the number of persons whose principal source of income is derived from their own unincorporated business(es), and the personal income they derive from these businesses, compiled from ATO data, are compared with similar data from ABS collections.

It should be noted that these comparisons provide a means for assessing the veracity of the experimental estimates by establishing whether they are of an 'expected' magnitude. The comparisons are not a means for deciding whether a particular data source is 'right' or 'wrong'.

Estimates of the number of persons operating their own unincorporated business(es) can be derived from a number of different ABS collections such as the Census of Population and Housing, the monthly Labour Force Survey, the Forms of Employment Survey, the Characteristics of Small Business Owners Survey and the Survey of Income and Housing.

However, even when the estimates from these collections relate to the same reference period they will not always show the same results. This will occur because the collections have different estimation methodologies and different scope and coverage definitions in addition to variations caused by other differences in sampling and non-sampling error.

Similarly, differences between estimates derived from administrative data, such as these compiled from ATO data, and ABS collections will also be evident.

The ATO experimental estimates of both personal income and counts of persons whose principal source of income is derived from their own unincorporated business have been compared with estimates from the ABS Survey of Income and Housing as details of a person's principal source of income are available from this survey.

The ATO experimental estimates of counts of persons have also been compared with the number of employers and own account workers as estimated from the ABS Labour Force Survey. Although definitions differ significantly in the LFS, the comparison with LFS data provide some context into the different concepts used for 'similar' populations in different collections.

### SURVEY OF INCOME AND HOUSING

The Survey of Income and Housing collects information by personal interview from usual residents of private dwellings throughout non-sparsely settled areas of Australia. Data are collected on the sources of income, amounts received and the characteristics of persons aged 15 years and over. Expansion factors, or weights, are then used to multiply information collected for the sample to produce estimates for the total population.

The income data collected in SIH refers to regular and recurring cash receipts from employment, investments and transfers from government, private institutions and other households. Gross income is the sum of the income from all these sources before income tax and the Medicare levy have been deducted.

The sources, categorised in the survey, from which income may be received by individuals includes:

- wages and salaries (whether from an employer or own corporate enterprise)
- profit/loss from own unincorporated business (including partnerships)
- investment income (interest, rent, dividends, royalties)

## COMPARISON WITH ABS DATA *continued*

### SURVEY OF INCOME AND HOUSING *continued*

- government pensions and allowances, and
- private cash transfers (e.g. superannuation, regular workers' compensation, income from annuities and child support).

#### *Conceptual differences*

Some of the main conceptual and methodological differences between SIH estimates and ATO data include:

- SIH excludes households in remote and sparsely settled areas of Australia. In the Northern Territory, this accounts for approximately 20% of the territory's population.
- SIH excludes residents in non-private dwellings (e.g. hotels, boarding houses, hostels and institutions) which may also result in lower estimates than PSIOUB being derived.
- The estimates from SIH are based on a sample of observations and are subject to sampling variability. The estimates may therefore differ from figures that would have been produced if information had been collected for all households and can result in SIH estimates being either high or low. Further details are provided in the following paragraphs describing Reliability of Survey Estimates.
- Certain types of personal income are collected in SIH but are not required to be included in the income tax return (i.e. exempt income). Most of these relate to Australian government pensions and allowances such as family tax benefit, disability support pension (if under age pension age), carer allowance and carer payment (if under age pension age). Certain pay and allowances for Defence Force personnel and pay and allowances for part-time service in the Australian Naval, Army or Air Force Reserves are also exempt from income tax. These differences may, in some cases, affect the derivation of the principal source of income for an individual, particularly for persons with very low or negative own unincorporated business income.
- Generally, individuals reporting income data to the ATO obtain their income data from official records such as accounting records, Business Activity Statements and Pay As You Go Statements. However, similar information reported in SIH may be based on estimated or expected income rather than actual income obtained from records.

#### *Conceptual similarities*

The main aspect in common between the SIH estimates and ATO data is that the source of income categories (i.e. wages and salaries, own unincorporated business income, investments, government pensions and allowances, superannuation and annuities and other income) used with ATO data have been defined and based, as best as possible, on those used in SIH. Consequently, the derivation of the principal source of income is expected to be broadly consistent between the two data sets.

Further details about SIH can be referenced in *Household Income and Distribution, Australia* (cat. no. 6523.0).

### RELIABILITY OF SURVEY ESTIMATES

Two types of error are possible in an estimate based on a sample survey such as the SIH – sampling error and non-sampling error.

### *Sampling error*

The sampling error is a measure of the variability that occurs by chance because a sample, rather than the entire population, is surveyed. As survey estimates are based on information obtained from occupants of a sample of households they, and the movements derived from them, are subject to sampling variability; that is, they may differ from the estimates that would have been produced if all households had been included in the survey.

One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied because only a sample of households were included. There are about two chances in three that the sample estimate will differ by less than one SE from the figure that would have been obtained if all households had been included, and about 19 chances in 20 that the difference will be less than two SEs.

The graphs in this section indicate the upper and lower bounds of the SIH estimates to one SE. Relative standard errors (RSEs), which express the SE as a percentage of the estimate, are also available on request for the SIH estimates shown in the following tables.

The sample size used for SIH is suitable for producing reliable estimates at the Australian level. Estimates at the state and territory level for broad aggregates are generally reliable although some estimates for Tasmania, the Northern Territory and the Australian Capital Territory should be used with caution.

### *Non-sampling error*

Non-sampling errors refer to inaccuracies that may occur because of imperfections in reporting by respondents, errors made in collection such as in recording and coding data, and errors made in processing the data. Non-sampling errors may occur in any enumeration, whether it be a full census count or a sample survey (and also in reporting, processing and compiling administrative data). It is not possible to quantify non-sampling error, but every effort is made to reduce it to a minimum by careful design of questionnaires, intensive training and supervision of survey interviewers and efficient operating procedures.

### DATA COMPARISONS

In the following comparison tables, estimates from SIH are based on persons aged 15 years and over whose principal source of personal income was derived from their own unincorporated business. Own unincorporated business income is the profit or loss that accrues to persons as owners of, or partners in, unincorporated enterprises. Profit/loss consists of the value of gross output of the enterprise after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income. The principal source of income is defined as that source from which the most positive income, compared to other sources, is received. If total income is nil or negative the principal source is undefined. These concepts are basically the same as those used when compiling ATO estimates.

It should be noted that SIH produces estimates of 'current' income as well as estimates of annual income with respect to the 'previous financial year'. 'Current' income refers to estimates of income being received at the time the survey data were being collected from respondents. For the purposes of the comparison tables shown in this section however, 'previous financial year' income estimates have been used. For example, the 'previous financial year' income for the reference year 2002–03, is compiled from data

## COMPARISON WITH ABS DATA *continued*

### DATA COMPARISONS

*continued*

collected in the 2003–04 SIH (whereas 'current' income for the reference year 2002–03 is compiled from data collected in the 2002–03 SIH). In the tables shown, SIH data relate to own unincorporated business (OUB) income as the principal source of income in the 'previous financial year' (for all respondents in the survey in the 'current' year).

From 2003–04, SIH has produced improved estimates of 'current' income from unincorporated business by collecting estimates of current financial year business income from respondents. These have not been included in the tables. Note that the SIH is conducted on a two yearly basis and that estimates of 'previous financial year income' for 2004–05 (collected in the 2005–06 SIH) are now available.

#### *Comparison of personal income data*

Table 3.1 compares, for persons whose principal source of income is from own unincorporated business(es) (PSIOUB), ATO and SIH data.

Over the period from 1996–97 to 2003–04 the income recorded in both sources was reasonably similar for total Australia. The difference ranged from ATO data being 12.0% higher than SIH data in 2002–03 to 7.9% lower in 1998–99. ATO estimates were slightly lower than SIH estimates for 1996–97 and 1998–99 while in 1999–00, 2001–02 and 2002–03 they were slightly higher. ATO data indicates a steady, annual increase in the value of the personal income over the eight year period shown (except for a slight decline in 2000–01), while SIH data shows declines in 1999–00 and 2002–03.

## COMPARISON WITH ABS DATA *continued*

### 3.1 COMPARISON WITH SIH DATA, PSIOUB, Personal income derived from own unincorporated business(es)—States and territories—1996–97 to 2003–04

		1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04
<b>New South Wales</b>									
ATO	\$m	7 697.5	7 993.9	8 534.1	9 353.2	9 208.0	10 475.0	10 556.8	10 609.1
SIH(a)	\$m	9 102.6	n.a.	6 949.9	7 752.9	n.a.	10 432.6	8 340.4	n.a.
Percentage difference(b)	%	-15.4	n.a.	22.8	20.6	n.a.	0.4	26.6	n.a.
<b>Victoria</b>									
ATO	\$m	4 980.8	5 111.0	5 448.7	5 842.2	6 130.2	7 219.2	6 797.4	6 887.8
SIH(a)	\$m	4 922.0	n.a.	6 784.9	6 047.0	n.a.	6 432.0	5 265.5	n.a.
Percentage difference(b)	%	1.2	n.a.	-19.7	-3.4	n.a.	12.2	29.1	n.a.
<b>Queensland</b>									
ATO	\$m	4 352.1	4 595.7	4 873.1	5 272.3	4 950.9	5 659.4	5 854.4	6 108.4
SIH(a)	\$m	5 219.6	n.a.	*7 364.0	5 259.9	n.a.	6 518.1	6 102.0	n.a.
Percentage difference(b)	%	-16.6	n.a.	-33.8	0.2	n.a.	-13.2	-4.1	n.a.
<b>South Australia</b>									
ATO	\$m	1 967.5	2 067.5	2 044.5	2 002.5	2 246.6	2 961.9	2 938.7	2 659.1
SIH(a)	\$m	1 217.4	n.a.	1 757.3	1 569.6	n.a.	2 386.7	3 410.7	n.a.
Percentage difference(b)	%	61.6	n.a.	16.3	27.6	n.a.	24.1	-13.8	n.a.
<b>Western Australia</b>									
ATO	\$m	3 057.5	3 268.0	3 070.8	3 197.2	3 108.9	3 521.6	3 827.8	3 841.2
SIH(a)	\$m	2 773.5	n.a.	3 137.5	3 974.3	n.a.	3 708.3	3 680.9	n.a.
Percentage difference(b)	%	10.2	n.a.	-2.1	-19.6	n.a.	-5.0	4.0	n.a.
<b>Tasmania</b>									
ATO	\$m	513.6	500.7	515.4	554.6	562.2	669.9	675.4	695.1
SIH(a)	\$m	382.4	n.a.	693.2	441.0	n.a.	544.6	518.2	n.a.
Percentage difference(b)	%	34.3	n.a.	-25.6	25.8	n.a.	23.0	30.3	n.a.
<b>Northern Territory</b>									
ATO	\$m	161.9	173.7	189.6	186.9	160.2	188.8	183.4	179.7
SIH(a)	\$m	*320.9	n.a.	*215.7	*231.9	n.a.	*162.8	192.7	n.a.
Percentage difference(b)	%	-49.6	n.a.	-12.1	-19.4	n.a.	16.0	-4.8	n.a.
<b>Australian Capital Territory</b>									
ATO	\$m	263.0	285.9	314.4	363.7	346.2	388.1	408.7	405.1
SIH(a)	\$m	196.6	n.a.	*252.2	*466.9	n.a.	470.1	*387.7	n.a.
Percentage difference(b)	%	33.8	n.a.	24.7	-22.1	n.a.	-17.4	5.4	n.a.
<b>Australia</b>									
ATO(c)	\$m	23 043.8	24 010.7	25 001.7	26 785.9	26 728.5	31 090.8	31 252.3	31 392.7
SIH(a)	\$m	24 135.0	n.a.	27 154.5	25 743.6	n.a.	30 655.1	27 897.9	n.a.
Percentage difference(b)	%	-4.5	n.a.	-7.9	4.0	n.a.	1.4	12.0	n.a.

(a) SIH Data Source: Survey of Income and Housing, data available on request.

(b) SIH data used as denominator for calculation of percentage difference.

(c) Includes data that could not be allocated to a state or territory.

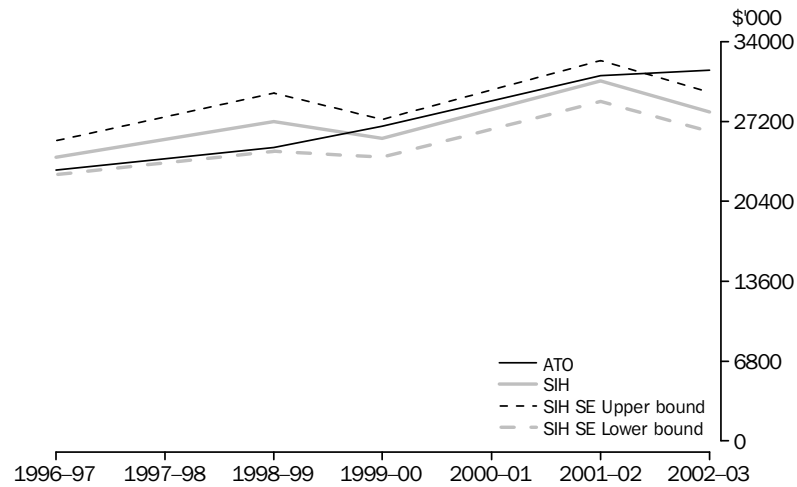
Note: \* Estimate is subject to sampling variability too high for most practical purposes.

n.a. not available (SIH data based on data collected in the survey of the year following the reference year. SIH not conducted in 1998–99, 2001–02 and 2004–05, therefore previous financial year data not available for 1997–98, 2000–01 and 2003–04).

## COMPARISON WITH ABS DATA *continued*

Comparison of personal income data *continued*

**3.2** COMPARISON WITH SIH(a) DATA, PSIOUB—Personal income derived from OUB, Australia—1996–97 to 2002–03



(a) Source: Survey of Income and Housing, data available on request.

Note: SIH data based on data collected in the survey of the year following the reference year (i.e. previous financial year). SIH not conducted in 1998–99, 2001–02 and 2004–05 therefore previous financial year data not available for 1997–98, 2000–01 and 2003–04.

Over the period from 1996–97 to 2002–03, ATO estimates of personal income derived from own unincorporated businesses by PSIOUB increased by 35.6% compared with an increase of 15.6% as estimated in SIH.

Note: As SIH was not conducted in 1998–99, 2001–02 and 2004–05, previous financial year data is not available for the reference years 1997–98, 2000–01 and 2003–04. As the graphs in this section exclude both ATO and SIH estimates for these years care should be taken when comparing movements between the two series between 1996–97 and 1998–99, and 1999–00 and 2001–02.

Comparison of counts of persons

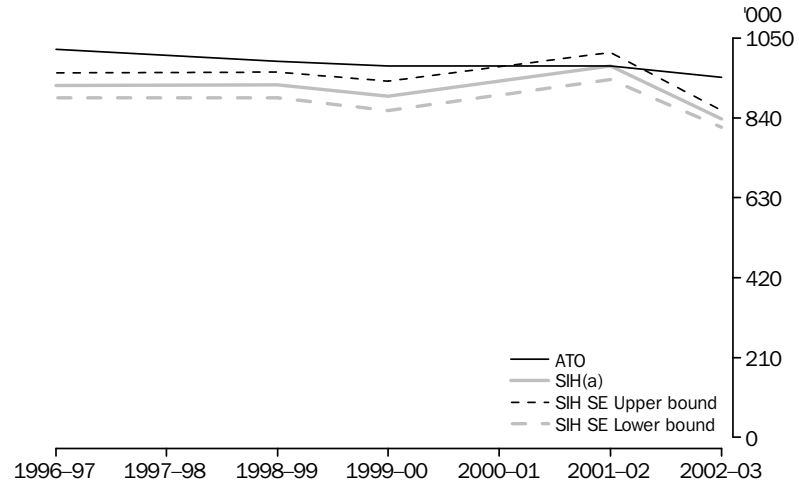
At the national level, in each of the years from 1996–97 to 2002–03, the number of persons whose principal source of income is derived from their own unincorporated business compiled from ATO data were higher than the number as estimated from SIH. The percentage difference between ATO and SIH estimates (using the SIH estimate as the denominator) ranged from 13.1% in 2002–03 to being almost the same in 2001–02. At the state/territory level the differences fluctuated to a greater extent.

As broadly illustrated in Graph 3.3, the downward trends between 1998–99 and 1999–00 and 2001–02 and 2002–03 are consistent between the two data sources, albeit at different rates. Over the period from 1996–97 to 2002–03, ATO estimates of persons whose PSIOUB declined by 7.1% compared to a 9.5% decline as estimated in SIH.

COMPARISON WITH ABS DATA *continued*

Comparison of counts of persons *continued*

**3.3** COMPARISON WITH SIH(a) DATA, Persons whose principal source of income is derived from own unincorporated business(es)—Australia—1996–97 to 2002–03



(a) Source: Survey of Income and Housing, data available on request.

Note: SIH data based on data collected in the survey of the year following the reference year (i.e. previous financial year). SIH not conducted in 1998–99, 2001–02 and 2004–05 therefore previous financial year data not available for 1997–98, 2000–01 and 2003–04.

In contrast to the personal income data, ATO estimates of the number of persons whose PSIOUB lie outside the bounds of one SE applicable to the SIH estimates for all years except 2001–02. For each year, other than 1998–99 and 2001–02, the ATO estimates also lie outside the bounds of two SEs.

## COMPARISON WITH ABS DATA *continued*

### 3.4 COMPARISON WITH SIH DATA, Persons whose principal source of income is derived from own unincorporated business(es)—States and territories—1996–97 to 2003–04

		1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04
<b>New South Wales</b>									
ATO	'000	318.0	310.0	314.7	317.9	304.1	317.7	307.2	292.5
SIH(a)	'000	299.9	n.a.	246.9	244.2	n.a.	318.9	256.2	n.a.
Percentage difference(b)	%	6.1	n.a.	27.5	30.2	n.a.	-0.4	19.9	n.a.
<b>Victoria</b>									
ATO	'000	238.5	228.8	228.3	226.0	218.0	229.0	218.1	210.1
SIH(a)	'000	202.3	n.a.	246.5	223.0	n.a.	226.4	171.9	n.a.
Percentage difference(b)	%	17.9	n.a.	-7.4	1.4	n.a.	1.1	26.9	n.a.
<b>Queensland</b>									
ATO	'000	202.6	198.4	202.7	200.8	185.6	195.5	191.3	184.0
SIH(a)	'000	205.4	n.a.	208.1	209.6	n.a.	199.1	185.7	n.a.
Percentage difference(b)	%	-1.4	n.a.	-2.6	-4.2	n.a.	-1.8	3.0	n.a.
<b>South Australia</b>									
ATO	'000	87.9	84.5	82.6	76.4	78.1	83.4	81.0	76.2
SIH(a)	'000	68.8	n.a.	69.9	64.4	n.a.	79.6	75.1	n.a.
Percentage difference(b)	%	27.8	n.a.	18.2	18.6	n.a.	4.8	7.8	n.a.
<b>Western Australia</b>									
ATO	'000	126.8	123.4	118.6	112.8	106.3	109.7	108.9	103.9
SIH(a)	'000	117.1	n.a.	111.4	117.2	n.a.	115.3	111.7	n.a.
Percentage difference(b)	%	8.3	n.a.	6.4	-3.8	n.a.	-4.9	-2.5	n.a.
<b>Tasmania</b>									
ATO	'000	25.6	23.9	23.5	23.1	22.0	23.0	22.6	21.9
SIH(a)	'000	19.1	n.a.	27.0	20.0	n.a.	20.7	19.8	n.a.
Percentage difference(b)	%	34.3	n.a.	-13.1	15.7	n.a.	11.2	14.1	n.a.
<b>Northern Territory</b>									
ATO	'000	7.1	7.1	7.4	7.0	6.2	6.6	6.2	5.7
SIH(a)	'000	*4.2	n.a.	*7.7	*5.5	n.a.	*5.5	4.5	n.a.
Percentage difference(b)	%	70.6	n.a.	-3.8	27.2	n.a.	19.6	37.9	n.a.
<b>Australian Capital Territory</b>									
ATO	'000	10.7	10.5	10.8	10.8	10.4	11.0	10.7	10.1
SIH(a)	'000	8.6	n.a.	8.9	*13.3	n.a.	10.5	12.0	n.a.
Percentage difference(b)	%	23.9	n.a.	21.8	-18.6	n.a.	4.4	-10.5	n.a.
<b>Australia</b>									
ATO(c)	'000	1 019.2	987.4	989.0	975.3	931.0	976.2	946.5	904.8
SIH(a)	'000	925.3	n.a.	926.4	897.3	n.a.	975.9	836.9	n.a.
Percentage difference(b)	%	10.1	n.a.	6.8	8.7	n.a.	—	13.1	n.a.

— nil or rounded to zero (including null cells)

(a) Source: Survey of Income and Housing, data available on request.

(b) SIH data used as denominator for calculation of percentage differences.

(c) Includes data that could not be allocated to a state or territory.

Note: \* Estimate is subject to sampling variability too high for most practical purposes.

n.a. not available (SIH data based on data collected in the survey of the year following the reference year. SIH not conducted in 1998–99, 2001–02 and 2004–05, therefore previous financial year data not available for 1997–98, 2000–01 and 2003–04).



LABOUR FORCE SURVEY

The Labour Force Survey is the official source of Australian employment and unemployment statistics. Labour force data are collected via a monthly household survey of the civilian population aged 15 years and over and estimates are derived by use of a complex ratio estimation procedure.

From the LFS, the total number of persons operating their own unincorporated business can be derived. These persons comprise employers, own account workers and contributing family workers. In the LFS:

- an employer is a person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade, and hires one or more employees
- an own account worker is a person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade, and hires no employees, and
- a contributing family worker is a person who works without pay in an economic enterprise operated by a relative.

Persons are considered to be employers, own account workers or contributing family workers if they worked for one hour or more during the survey reference week or were employers, own account workers or contributing family workers, who had a job, business or farm, but were not at work during the survey reference week.

Aggregate estimates from the LFS for the two categories, employers and own account workers, are used in the following comparison table. Contributing family workers have been excluded as it is not possible to identify this group from the ATO data source as they work for no remuneration and therefore are not required to lodge an income tax return.

The ATO estimates based on the principal source of income would be expected to be a sub-set, and hence lower, than the aggregated LFS estimates of employers and own account workers. This is because persons working just a few hours in their own unincorporated business might generally be expected to have lower incomes, and therefore own unincorporated business (OUB) income may not be classified as the principal source of income (if they also had income from other sources).

Comparisons cannot be made between the levels of income received by persons from their own unincorporated business as income data is not available from the monthly LFS.

Further details about the LFS can be referenced in *Labour Force, Australia* (cat. no. 6202.0) and *Labour Statistics: Concepts, Sources and Methods* (cat. no. 6102.0.55.001).

*Comparison of counts of persons*

At the Australia level, in each of the years shown from 1996–97 to 2002–03, the number of persons whose principal source of income is derived from their own unincorporated business compiled from ATO data were significantly lower than the number of employers and own account workers as estimated from the LFS. This general pattern would be expected as LFS data includes those persons who had unincorporated business income where it was not their principal source of income. The percentage difference between the two data sources (using the LFS estimate as the denominator) ranged from 12.0% in 1996–97 to 26.6% in 2003–04. Over time, the difference has progressively increased. This pattern was also generally evident at the state/territory level.

## COMPARISON WITH ABS DATA *continued*

### 3.5 COMPARISON WITH LFS DATA(a), Number of persons in own unincorporated business—States and territories—1996–97 to 2003–04

		1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04
New South Wales									
ATO(b)	'000	318.0	310.0	314.7	317.9	304.1	317.7	307.2	292.5
LFS(c)	'000	354.3	390.4	370.7	385.4	376.8	391.1	396.5	387.4
Percentage difference(d)	%	-10.2	-20.6	-15.1	-17.5	-19.3	-18.8	-22.5	-24.5
Victoria									
ATO(b)	'000	238.5	228.8	228.3	226.0	218.0	229.0	218.1	210.1
LFS(c)	'000	262.7	274.3	262.1	266.1	276.1	274.2	273.7	273.6
Percentage difference(d)	%	-9.2	-16.6	-12.9	-15.1	-21.1	-16.5	-20.3	-23.2
Queensland									
ATO(b)	'000	202.6	198.4	202.7	200.8	185.6	195.5	191.3	184.0
LFS(c)	'000	246.8	253.9	255.6	256.1	257.1	262.9	280.7	271.6
Percentage difference(d)	%	-17.9	-21.9	-20.7	-21.6	-27.8	-25.6	-31.8	-32.2
South Australia									
ATO(b)	'000	87.9	84.5	82.6	76.4	78.1	83.4	81.0	76.2
LFS(c)	'000	108.1	104.4	98.3	100.7	99.9	103.9	97.1	99.5
Percentage difference(d)	%	-18.7	-19.1	-15.9	-24.1	-21.8	-19.7	-16.6	-23.5
Western Australia									
ATO(b)	'000	126.8	123.4	118.6	112.8	106.3	109.7	108.9	103.9
LFS(c)	'000	136.1	137.2	134.5	137.2	137.9	139.2	144.2	146.6
Percentage difference(d)	%	-6.8	-10.1	-11.8	-17.8	-22.9	-21.2	-24.5	-29.1
Tasmania									
ATO(b)	'000	25.6	23.9	23.5	23.1	22.0	23.0	22.6	21.9
LFS(c)	'000	30.6	31.0	28.8	29.5	30.6	27.4	28.5	30.2
Percentage difference(d)	%	-16.2	-22.9	-18.3	-21.5	-28.1	-16	-20.7	-27.4
Northern Territory									
ATO(b)	'000	7.1	7.1	7.4	7.0	6.2	6.6	6.2	5.7
LFS(c)	'000	6.7	7.3	8.1	8.0	7.5	8.4	8.8	8.5
Percentage difference(d)	%	6.1	-1.9	-8.1	-12.2	-18.0	-21.7	-29.5	-32.9
Australian Capital Territory									
ATO(b)	'000	10.7	10.5	10.8	10.8	10.4	11.0	10.7	10.1
LFS(c)	'000	13.4	14.5	13.4	13.5	14.5	13.8	13.9	14.7
Percentage difference(d)	%	-20.3	-27.8	-19.6	-19.8	-28.5	-20.6	-22.8	-31.6
Australia(e)									
ATO(b)	'000	1 019.2	987.4	989.0	975.3	931.0	976.2	946.5	904.8
LFS(c)	'000	1 158.4	1 212.9	1 171.4	1 196.5	1 200.3	1 220.7	1 243.4	1 232.2
Percentage difference(d)	%	-12.0	-18.6	-15.6	-18.5	-22.4	-20	-23.9	-26.6

(a) Source: Labour Force, Australia, Detailed - Electronic Delivery, Data Cubes (cat. no. 6291.0.55.001). Original Series, annual average based on quarterly data.

(b) Number of persons whose principal source of income is derived from own unincorporated business.

(c) Number of persons in own unincorporated business. (i.e. employers and own account workers).

(d) LFS data used as denominator to calculate percentage difference.

(e) Includes data that could not be allocated to a state or territory.

## COMPARISON WITH ABS DATA *continued*

Comparison of counts of persons *continued*

Graph 3.6 illustrates that the ATO experimental estimates generally lie between LFS and SIH estimates.

**3.6** COMPARISON WITH LFS(a) AND SIH(b) DATA, Counts of persons—Australia—1996–97 to 2002–03



(a) Source: Labour Force, Australia, Detailed - Electronic Delivery, Data Cubes (cat. no. 6291.0.55.001). Original Series, annual average based on quarterly data.

(b) Source: Survey of Income and Housing, data available on request.

Note: SIH data based on data collected in the survey of the year following the reference year (i.e. previous financial year). SIH not conducted in 1998–99, 2001–02 and 2004–05 therefore previous financial year data not available for 1997–98, 2000–01 and 2003–04.

### COMPARABILITY WITH OTHER COLLECTIONS

The estimates in this publication are not intended to be used as a count of the number of small businesses in a region. Persons with PSIOUB are a subset of all own unincorporated business operators who, in turn, are a subset of all business operators.

Users may wish to refer to the following publications that also provide estimates, variously defined, of the number of persons operating their own business(es). As with SIH and LFS data, definitions, scope and coverage differ in these collections compared to the estimates compiled from ATO data.

#### *Forms of Employment, Australia* (cat. no 6359.0)

The statistics in this publication were compiled from data collected in the Forms of Employment Survey that was conducted as a supplement to the monthly LFS. Respondents to the LFS, who were in scope of the supplementary survey, were asked further questions about employment arrangements in their main job. The publication includes details of 'Owner managers of unincorporated enterprises'.

#### *Characteristics of Small Business, Australia* (cat. no. 8127.0)

This publication presents the results of the Characteristics of Small Business Owners Survey which was also conducted as a supplementary topic to the monthly LFS. This supplementary survey addressed a number of aspects of the operations of small business as well as identifying the characteristics of small business operators. The estimates of the number of business operators provided in the publication include own account workers (sole proprietors and partners of non-employed businesses); employers (operators of unincorporated employing sole proprietorships and partnerships); as well as working

### COMPARABILITY WITH OTHER COLLECTIONS *continued*

directors of incorporated companies. That is, the survey includes operators of both incorporated and unincorporated businesses. The survey excludes businesses in the Agriculture, fishing and forestry and Electricity, gas and water supply industries. Note: Small businesses are defined as those that employ less than 20 people.

#### *Small Business in Australia* (cat. no. 1321.0)

This publication draws together data from various sources (ABS and non-ABS) analysing the growth and performance of the small business sector. The focus is on small business but also, where possible, includes comparisons with other business size categories. The publication contains details on employing small businesses (i.e. employers) and non-employing small businesses (i.e. own account workers). Businesses in the agricultural sector are excluded from most tables in the publication.

### CONCLUSION

Definitional, conceptual and methodological differences exist between ATO data for persons whose principal source of personal income is derived from their own unincorporated business(es) and similar data from ABS sources such as SIH and the LFS. This makes direct comparisons between the data sources difficult. Major differences between the data sources are also difficult to quantify.

The counts of persons and the personal income received by persons whose principal source of income is derived from their own unincorporated business are of similar magnitudes for total Australia for both ATO and SIH data.

Overall, for most years, the number of persons whose principal source of income is derived from their own unincorporated business, estimated from ATO data, lie in between similar SIH estimates and LFS estimates of the total number of employers and own account workers. As expected, the ATO estimates are consistently lower than the LFS estimates which are based on all persons in their own unincorporated business(es) (excluding contributing family workers), not just those for whom unincorporated business income was their principal source of personal income.

Estimates of the personal income derived from their own unincorporated business(es) are reasonably similar in both ATO and SIH data at the national level with ATO estimates lying between the SIH upper and lower bounds until the 2002–03 financial year. However, even at this level users would draw somewhat different conclusions using the two sources of information for the time series analysis. ATO data shows a rising series while SIH data exhibits two periods of falling estimates (1998–99 to 1999–00 and 2001–02 to 2002–03). When looking to regionalise the data, users can see that there are large differences between the two sources' estimates, even at the state/territory level. This is especially so when considering movements in the data from period to period as Table 3.1 demonstrates. These differences may be partly due to survey design and the standard errors associated with sample surveys.

The income statistics presented in this paper demonstrate the capability of compiling alternative statistical indicators at both national and regional level from an administrative data source which, in this case, are based on the legal requirement to lodge an income tax return. Clients need to use the data with care and be mindful of the definitions and limitations of the data items and the purposes for which they were collected.

## COMPARISON WITH ABS DATA *continued*

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### CONCLUSION *continued*

Feedback from readers regarding the range, quality, timeliness and general usefulness of these data at the regional level (and the explanations provided) are requested. Any comments can be forwarded to:

The Director, Regional Statistics Branch,  
Australian Bureau of Statistics,  
GPO Box 2272, Adelaide SA 2001.  
Alternatively, email <regional.statistics@abs.gov.au>.

## APPENDIX 1 RELATED PUBLICATIONS AND REFERENCES

### RELATED PUBLICATIONS AND REFERENCES

- Australian Bureau of Statistics, *Australian Standard Geographical Classification (ASGC)*, 2004 (cat. no. 1216.0)
- Australian Bureau of Statistics, *Australian Labour Market Statistics* (cat. no. 6105.0), ABS, Canberra, Quarterly.
- Australian Bureau of Statistics, *Characteristics of Small Business, Australia, (Reissue) 2004* (cat. no. 8127.0), ABS, Canberra.
- Australian Bureau of Statistics, *Forms of Employment, Australia, November 2004* (cat. no. 6359.0), ABS, Canberra.
- Australian Bureau of Statistics, *Household Income and Income Distribution, Australia* (cat. no. 6523.0), ABS, Canberra.
- Australian Bureau of Statistics, *Information Paper: Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995–96 to 2000–01* (cat. no. 6524.0), ABS, Canberra.
- Australian Bureau of Statistics, *Information Paper: Use of Individual Income Tax Data for Regional Statistics, Experimental Estimates for Small Areas, 1995–96 and 1996–97* (cat. no. 5673.0), ABS, Canberra.
- Australian Bureau of Statistics, *Information Paper: Survey of Income and Housing, User Guide* (cat. no. 6553.0), ABS, Canberra.
- Australian Bureau of Statistics, *Labour Force, Australia* (cat. no. 6202.0), ABS, Canberra, Monthly.
- Australian Bureau of Statistics, *Labour Statistics: Concepts, Sources and Methods, June 2005* (cat. no. 6102.0.55.001), ABS, Canberra.
- Australian Bureau of Statistics, *Persons with Main Source of Income from Own Unincorporated Business, Experimental Estimates for Small Areas - Data Cubes, 1996–97 to 2003–04* (cat. no 6225.0.55.001), ABS, Canberra
- Australian Bureau of Statistics, *Regional Wage and Salary Earner Statistics, Australia* (cat. nos. 5673.0, 5673.0.55.001 and 5673.0.55.003), ABS, Canberra.
- Australian Bureau of Statistics, *Small Business in Australia, 2001* (cat. no. 1321.0), ABS, Canberra.
- Australian Taxation Office, *Business and Professional Items, Instructions and Schedule* (NAT 02543), ATO, Canberra, Annual.
- Australian Taxation Office, *Taxation Statistics, A summary of taxation, superannuation and industry benchmark statistics*, ATO, Canberra, Annual.
- Australian Taxation Office, *Tax Basics for Small Business* (NAT 01908), ATO, Canberra, Annual.
- Australian Taxation Office, *TaxPack* (NAT 00976), ATO, Canberra, Annual.
- Australian Taxation Office, *TaxPack Supplement* (NAT 2677), ATO, Canberra, Annual.
- Australian Taxation Office web site <[www.ato.gov.au](http://www.ato.gov.au)>.

## APPENDIX 2 METHODOLOGY: POSTCODE TO SLA CONCORDANCE

### METHODOLOGY: POSTCODE TO SLA CONCORDANCE OVERVIEW

The Australian Standard Geographical Classification (ASGC) is used by the ABS for the collection and dissemination of geographically classified statistics. It is an essential reference for understanding and interpreting the geographical context of statistics published, not only by the ABS but also by other organisations, and its use enables comparability across datasets.

The ABS uses geographic concordances to enable the conversion of data from one type of geographic region to another. These geographic concordances are generally used to convert data for 'non-standard areas' to data for standard areas used by the ABS. Geographic concordances (or conversions) are expressed as conversion factors based on population. A similar concordance process can be used to enable comparisons of data originally released on different editions of the ASGC.

The geographic identifier available on the ATO database is the postcode of the home address of the individual at the time of completing the tax return. Consequently, postcode to statistical local area conversion factors have been used to concord, or convert, ATO aggregated postcode data to estimates for statistical local areas. The concordances are based on the estimated resident population for each particular year.

The concordance process:

- minimises confidentiality restrictions as data are not output for postcodes with small populations
- enables the data to be more easily compared with standard ABS output
- enables the data to be output for other standard ABS geographic areas such as statistical divisions, statistical subdivisions and local government areas, and
- provides flexibility so that data can be provided for the different regions of interest being studied by users of regional data (which are usually groupings of SLAs and/or LGAs).

Data in this publication have been presented on boundaries effective at 1 July 2004 (unless otherwise stated) as defined in the Detailed Main Structure of the *Australian Standard Geographical Classification (ASGC), Volume 1, 2004* (cat. no. 1216.0). SLA data in the associated data cubes to this publication (cat. no. 6225.0.55.001) are based on the ASGC for each particular year except for 1996–97 which is based on boundaries effective in ASGC 1998.

### **A2.1** AUSTRALIAN STANDARD GEOGRAPHICAL CLASSIFICATION BOUNDARIES

<i>Financial Year</i>	<i>Main ASGC Structure Boundaries</i>	<i>Section of State Boundaries</i>
1996–97	ASGC1998	ASGC2001
1997–98	ASGC1998	ASGC2001
1998–99	ASGC1999	ASGC2001
1999–00	ASGC2000	ASGC2001
2000–01	ASGC2001	ASGC2001
2001–02	ASGC2002	ASGC2001
2002–03	ASGC2003	ASGC2001
2003–04	ASGC2004	ASGC2001

## APPENDIX 2 METHODOLOGY: POSTCODE TO SLA CONCORDANCE

*continued*

### OVERVIEW *continued*

The following example shows how the concordances were applied in 2002–03. SLA 22751, Bellarine - Inner in Victoria, covers three postcode areas; all of postcode 3224 and parts of postcodes 3219 and 3221. Based on the estimated resident population at 30 June 2003, the proportions of the population, or concordance factors, in each postcode that make up SLA 22751 were:

- 66.90% of the population of postcode 3219
- 19.96% of the population of postcode 3221
- 100.00% of the population of postcode 3224.

By applying these factors to the relevant population for each postcode, in this case the number of persons whose principal source of income is derived from own unincorporated business, an estimate of 791 persons for Bellarine - Inner, is derived.

### **A2.2** EXAMPLE: POSTCODE TO SLA CONCORDANCE

Postcode	POSTCODE COUNTS		SLA COUNTS
	<i>Number of persons whose principal source of income is derived from own unincorp business(es)</i>	<i>Conversion factor(a)</i>	<i>Number of persons whose principal source of income is derived from own unincorp business(es)</i>
3219	688	0.6690	460
3221	260	0.1996	52
3224	279	1.0000	279
SLA total	-	-	791

Note: (a) Based on the estimated resident population at 30 June 2003.

When analysing concorded data the following limitations of this methodology need to be taken into account:

- in applying the concordances (based on total population only) it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode area and therefore concorded data may not truly reflect the distribution of the characteristics of the population. In some cases, where the same postcode is split across two or more SLAs and there are no other contributing postcodes, distinct numerical estimates will be derived but rates or averages will be identical for each SLA (as these will be equivalent to the original rate or average of the contributing postcode), and
- some official postcodes (such as PO boxes, etc.) do not correspond to residential areas but may still have been reported under the current home address field on the income tax return. Data for these and other 'invalid' postcodes, such as those due to incorrect reporting or processing errors, have been included in an 'unknown' category for each state and territory and for Australia where the state or territory was not known; and concorded figures have been rounded so discrepancies may occur between sums of the component items and totals.

While care was taken in producing the concordances the ABS will not guarantee the accuracy of concorded data.



## GLOSSARY

### *ATO DATA ITEMS*

<p><b>Average personal income derived from own unincorporated business(es)</b></p>	<p>For persons with principal source of income from their own unincorporated business (as defined) - calculated by dividing total net income received by individuals from their own unincorporated business by the number of persons receiving that income.</p>
<p><b>Business</b></p>	<p>The ATO considers a person to have a business if the activity has actually commenced; has a significant commercial purpose or character; results in a profit; is carried out in a manner that is characteristic of the industry; is repeated, regular or continuous; cannot be more accurately described as a hobby.</p>
<p><b>Commonwealth of Australia government pensions, allowances and other payments</b></p>	<p>Includes the following pensions, allowances and other payments received from the Australian government: parenting payment (partnered), newstart allowance, youth allowance, mature age allowance, partner allowance, sickness allowance, special benefit, widow allowance, austudy payment, exceptional circumstances relief payment, restart income support or farm household support (by way of financial assistance), Aboriginal Study Assistance Scheme (ABSTUDY) living or dependent spouse allowance or payment under the Veterans' Children Education Scheme where the taxpayer is 16 years or older, Training for Employment Program allowance, New Enterprise Incentive Scheme allowance, textile, clothing and footwear special allowance, Green Corps training allowance, or other taxable Commonwealth education or training payments, an income support component from a Community Development Employment Project – shown as 'CDEP Salary or Wages' on the taxpayer's PAYG (Pay As You Go) payment summary – individual non business, a CDEP scheme participant supplement, age pension, bereavement allowance, carer payment, disability support pension where the taxpayer has reached age pension age, mature age partner allowance, parenting payment (single), widow B pension, wife pension, age service pension, income support supplement, invalidity service pension where the taxpayer has reached age pension age, partner service pension.</p> <p>Note: Not all Commonwealth of Australia government pension and allowance recipients are required to lodge income tax returns.</p>
<p><b>Company</b></p>	<p>A company is a legal entity separate from its shareholders. For tax purposes a company means a body or association, incorporated or unincorporated, but does not include a partnership or a non-entity venture.</p>
<p><b>Distribution from partnerships - primary and non-primary production</b></p>	<p>The individual's share of the partnership's income or loss, less any attributed foreign income or foreign source income of the partnership(s) on which the taxpayer is assessed. Partnerships generally do not pay tax in their own right. Members of the partnership pay tax at their individual tax rate on their share of partnership income included on their individual tax return. In the 2003–04 Individual Income Tax Return, distributions from partnerships, for primary and/or non-primary production activities, were reported in question 12 (Supplementary Section).</p>
<p><b>Distribution from trusts - primary production</b></p>	<p>The individual's share of the trust's income or loss (for primary production), less any attributed foreign income or foreign source income of the trust on which the taxpayer is assessed, and the whole or part of a net capital gain of the trust on which the taxpayer is assessable. For the purposes of the statistics presented in this paper, distributions from trusts with primary production activity have been included under the broad assumption that these individuals were mainly involved in their own farm business. In the 2003–04 Individual Income Tax Return, distributions from trusts – primary production, were reported in question 12 (Supplementary Section).</p>
<p><b>Distribution from trusts - non-primary production</b></p>	<p>The individual's share of the trust's income or loss (for non-primary production), less any attributed foreign income or foreign source income of the trust on which the taxpayer is assessed, and the whole or part of a net capital gain of the trust on which the taxpayer is assessable. Includes distributions from investment products such as property trusts, cash management trusts, money market trusts, mortgage trusts and unit trusts.</p>

## GLOSSARY *continued*

<b>Distribution from trusts - non-primary production</b> <i>continued</i>	For the purposes of the statistics and definitions presented in this paper, distribution from trusts – non-primary production have been included under investment income. In the 2003–04 Individual Income Tax Return, distributions from trusts – non-primary production, were reported in question 12 (Supplementary Section).
<b>Income tax year</b>	Refers to the financial year, i.e. 1 July to 30 June.
<b>Incorporated enterprise</b>	An incorporated enterprise is a company that has a registered business name with the Australian Securities and Investment Commission and a legal status which is separate to that of the individuals involved.
<b>Investment income</b>	Includes interest from financial institutions, net rent and dividends or distributions (including imputation credits) from an Australian company, corporate unit trust or public trading trust. Also included are distributions from trusts – non-primary production which mainly includes income from investments with cash management trusts, property trusts, money market trusts, mortgage trusts and unit trusts.
<b>Net business income</b>	The amount of income (or loss) derived by the individual from primary and/or non-primary production business activities after deduction of relevant business expenses. In the 2003–04 Individual Income Tax Return, net business income was reported in question 14 (Supplementary Section) and generally relates to sole traders.
<b>Net personal services income</b>	The net income received by persons, including contractors and consultants, as a reward for their personal efforts or skills. It applies to persons receiving such income as a sole trader and is calculated by deducting operating expenses from the income generated by the business activity. Examples of personal services income include: income of a professional practitioner in a sole practice; income payable under a contract which is wholly or principally for the labour or services of a person; income derived by a professional sportsperson or entertainer from the exercise of professional skills; and income derived by consultants from the exercise of personal expertise. In the 2003–04 Individual Income Tax Return, net personal services income was reported in question 13 (Supplementary Section).
<b>Non-primary production</b>	Production other than that resulting from primary production activities. Non-primary production industries include all the other industries not classified under the 'Agriculture, forestry and fishing' broad industry group.
<b>Other income</b>	Includes foreign source income and income not included elsewhere.
<b>Own unincorporated business income</b>	The concept of individual income from own unincorporated business is a 'net concept'. That is, it is the profit (or loss) derived by deducting operating expenses from the value of gross output. It includes net business income from primary and non-primary production activities, distributions from primary production partnerships and trusts, distributions from non-primary production partnerships and net personal services income.
<b>Partnership</b>	For tax purposes, a partnership is an association of people who carry on a business as partners or who receive income jointly. (Note: this does not include a company). Partners contribute their time, talents and/or capital towards the partnership and, in return, share in both the profits/losses and responsibilities. Partnerships generally do not pay tax in their own right. Members of the partnership pay tax at their individual tax rate on their share of partnership income included on their individual tax return.
<b>Persons whose main source of income is from own unincorporated business</b>	Also referred to as PSIOUB. Persons aged 15 years and over who have submitted a tax return and for whom income from own unincorporated business, or businesses, was the principal (or main) source of their personal income for that financial year.
<b>Primary production</b>	Production resulting directly from the cultivation of land; the maintenance of animals or poultry for the purpose of selling them or their bodily produce, including natural increase; fishing operations; forest operations and horticulture; and includes the manufacture of dairy produce by the person who produced the raw material used in that

## GLOSSARY *continued*

	manufacture. Includes industries classified under the 'Agriculture, forestry and fishing' broad industry group.
<b>Principal (or main) source of income</b>	The source from which the most income was received during the financial year.
<b>Sole trader</b>	A sole trader is an individual who is trading on their own. That person controls and manages the business. The income of the business is treated as the person's individual income.
<b>Superannuation and annuity income</b>	Includes superannuation and similar pensions and annuities paid by an Australian annuity income superannuation fund, a retirement savings account (RSA) provider, a registered organisation or life assurance company and pensions paid by a fund established for the benefit of commonwealth, state or territory employees and their dependants. Also included in this category are bonuses from life insurance companies and friendly societies.
<b>Trust</b>	A trust is an obligation on a person to hold property for the benefit of others (i.e. beneficiaries). Except in special circumstances, the beneficiary has to include their share of the trust's income in their personal income tax return.
<b>Wage and salary earners</b>	Persons aged 15 years and over who have submitted a tax return and for whom wage and salary income was the principal or main source of income for the financial year.
<b>Wage and salary income</b>	Includes gross income as shown on the 'PAYG payment summary - individual non-business' as well as allowances, commissions, bonuses, tips, gratuities, consultation fees, honoraria and other payments for services. Allowances and other earnings may include car, travel or transport allowances, allowances for tools, clothing or laundry and dirt, risk, meal or entertainment allowances, etc. The statistics were compiled from questions 1 and 2 on the individual income tax return (2003-04).
	<i>SIH DATA ITEMS</i>
<b>Government pensions and allowances</b>	Regular, recurring receipts from government to persons under social security and related government programs. Included are pensions, allowances and benefits received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included, although some may not be paid by overseas governments.
<b>Gross income</b>	Regular cash receipts before income tax or the Medicare levy are deducted.
<b>Income</b>	Regular and recurring cash receipts including moneys received from wages and salaries, government pensions and allowances, and other regular receipts such as superannuation, workers' compensation, child support, other transfers from other households, scholarships, profit or loss from own unincorporated business or partnership and investment income. Gross income is the sum of the income from all these sources before income tax or the Medicare levy are deducted.
<b>Investment income</b>	Includes interest and dividend income received as a result of the ownership of financial assets, and rent and royalty income received from the ownership of non-financial assets. The rent component of investment income is measured on a net basis, that is, gross rent less operating expenses.
<b>Own unincorporated business income</b>	The profit/loss that accrues to persons as owners of, or partners in, unincorporated enterprises. Profit/loss consists of the value of gross output of the enterprise after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.
<b>Principal source of income</b>	The source from which the most income was received during the financial year.
<b>Private cash transfers</b>	Regular, recurring receipts from private organisations, including superannuation, regular workers' compensation, income from annuities, private scholarships and child support.

## GLOSSARY *continued*

<b>Unincorporated business</b>	A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.
<b>Wage and salary income</b>	The gross cash income received as a return to labour from an employer or from a person's own incorporated business.
	<i>LFS DATA ITEMS</i>
<b>Employer</b>	A person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade, and hires one or more employees.
<b>Own account worker</b>	A person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade and hires no employees.
<b>Persons operating own unincorporated business(es)</b>	Comprise employers and own account workers.
<b>Unincorporated economic enterprise</b>	An economic enterprise (or business) in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.
	<i>GEOGRAPHIC TERMS</i>
<b>Local Government Area (LGA)</b>	The spatial unit which represents the whole geographical area of responsibility of an incorporated Local Government Council in any state or territory, an Aboriginal or Island Council in Queensland or a Community Government Council in the Northern Territory. The various types of LGAs are Aboriginal councils (AC), areas (A), boroughs (B), cities (C), community government councils (CGC), district councils (DC), island councils (IC), municipalities (M), regional councils (RegC), rural cities (RC), shires (S) and towns (T).
<b>Metropolitan Australia</b>	Metropolitan areas in each state and territory have been defined as the Capital City Statistical Division with exceptions in New South Wales, where the Newcastle and Wollongong SSDs have also been included; Victoria, where the Greater Geelong City Part A SSD has been included; and Queensland, where the Gold Coast City Part B and Sunshine Coast SSDs have been included. For the Northern Territory, Darwin City SSD and Palmerston-East Arm SSD have been defined as metropolitan. For further details, including lists of SLAs and LGAs that make these SDs and SSDs, see <i>Australian Standard Geographical Classification (ASGC), 2004</i> (cat. no. 1216.0).
<b>Non-metropolitan Australia</b>	Non-metropolitan areas cover all other parts of a state or territory excluding the metropolitan areas as defined above.
<b>Statistical Local Area (SLA)</b>	These geographical areas are in most cases identical with, or have been formed from a division of, whole LGAs. In other cases, they represent unincorporated areas. In aggregate, SLAs cover the whole of a state or territory without gaps or overlaps. In some cases legal LGAs overlap Statistical Subdivision boundaries and therefore comprise two or three SLAs (Part A, Part B and, if necessary, Part C).
<b>Statistical Subdivision (SSD)</b>	These are of intermediate size, between SLAs and SDs. In aggregate, they cover the whole of Australia without gaps or overlaps. They are defined as socially and economically homogeneous regions characterised by identifiable links between the inhabitants. In the non-urban areas an SSD is characterised by identifiable links between the economic units within the region, under the unifying influence of one or more major towns or cities.
<b>Statistical Division (SD)</b>	These consist of one or more SSDs. The divisions are designed to be relatively homogeneous regions characterised by identifiable social and economic units within the region, under the unifying influence of one or more major towns or cities.

### *OTHER*

## GLOSSARY *continued*

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**Average annual growth rate** The average annual growth rate,  $r$ , is calculated as a percentage using the formula:  $[(P_n/P_o)^{1/n} - 1] \times 100$  where  $P_o$  is the population at the start of the period,  $P_n$  is the population at the end of the period and  $n$  is the length of the period between  $P_o$  and  $P_n$  in years.





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