

BAD DEBTS

The figures for the Partnerships and the Companies were taken from the statistics tabled in Parliament from the Australian Taxation Office.

Between the end of the financial year of 1997 and the year 2002 there were between 10,979 and 11,700 partnerships that had an accrual based accounting system and wrote off bad debts totaling \$864,637,280 million. If we divide this figure by 6 we end up with approximately \$144,106,213 average write-off of bad debts per annum. If we then divide that by the average number of partnerships say 11,000 there would be a write-off of approximately \$13,100 per partnership.

We now look at the bad debts in relation to companies between the financial years ending 1997 and 2002. There were between 33,000 – 40,000 companies and over that 6 year period wrote off approximately \$22,370,070,873. In 2002 financial year bad debts of \$5,823,415,533 were written off. If we divide that by 40,000 we end up with an approximate figure of \$145,585 per company.

Both these partnerships and businesses worked on an accrual accounting system. In other words they paid the GST on their invoices and the following year, if they didn't get paid they claimed back the bad debts and GST.

We now take the information from the Australian Bureau of Statistics who indicated that there were approximately 1,233,200 small businesses. These small businesses work on what is called 'a cash accounting basis' and that means that they only pay tax and the GST on the monies that they collect.

If we take these small businesses, and they are larger in number than the partnerships, we could then say that if each small business did not collect say approximately \$10,000 in bad debts in any given year that would amount to about \$12 Billion per annum. Over a 6 year period that would account for approximately \$72 Billion. That together with the 40,000 companies makes \$22 Billion, plus the \$860 Million, written off by partnerships, and we have a figure pretty much close to \$100 Billion over a 6 year period, of which company tax has not been collected nor has the GST.

It would appear that these figures are an escalating figure in relation to the 40,000 companies and any downturn in the business also means that the smaller businesses have even larger uncollectible debts, so the Federal Government is missing out on the company tax on the best part of \$100 Billion together with the \$10 Billion worth of GST.

It will be noted that these figures from 1997 for the 40,000 companies have gone from \$1.79 Billion in 1997, \$2.316 Billion in 1998, \$3.369 Billion in 1999, \$4.988 Billion in 2000, \$4,079 Billion in 2001, \$5,823 Billion in 2002, the escalating figure will obviously accrue to huge amounts of money that the government is not collecting. It must be assumed that the small businesses will also not be able to collect an escalating amount of bad debts