ATO benchmarks – a handy business check-up

The ATO’s business benchmark data is a useful tool for smart business owners. Learn how you can access these benchmarks to judge your business’ performance against industry standards, identify your ATO audit risk and other tax compliance issues, and prompt new thinking about ways to improve your profit margins.

The ATO has released its latest benchmark data to help businesses in over 100 industries compare their performance against competitors. These valuable benchmarks can help you assess measures like your cost of sales or total expenses, among others, which can greatly assist in gauging business performance and spotting tax compliance risks.

How can I use this data?

Businesses can use the data to help them assess their performance against the standards for their industry. For example, if your expenses seem high compared to your industry’s benchmark range, this may prompt you to explore ways you can improve profitability.

Naturally, the ATO also uses this data for compliance purposes. By identifying businesses that are “outliers” compared to their industry benchmarks, the ATO is better able to select businesses for audit. This might include businesses that are reporting significantly less income than competitors relative to expenses or claiming significantly more expenses relative to income.

Being outside a benchmark range does not necessarily mean that something is wrong, but it may lead the ATO to ask questions. ATO Assistant Commissioner Peter Holt likens the benchmarks to the red and yellow flags at the beach: “If you stay between the flags, you’ll be less likely to attract our attention.”

What benchmarks are available?

The ATO calculates the benchmarks using data from the tax returns and activity statements of over 1.5 million small businesses. The latest updated benchmarks are sourced from the 2016–2017 income year.

The types of benchmarks that the ATO publishes for each industry vary, but often include useful benchmark information such as cost of sales as a percentage of turnover (and average cost of sales); total expenses as a percentage of turnover (and average total expenses); and labour, rent and motor vehicle expenses as a percentage of turnover.

Most of these benchmarks are expressed as a range (eg “23% to 33%”), and for each industry the ATO provides different benchmark ranges for different annual turnover ranges.

Data is available for over 100 industries across categories ranging from accommodation and food to manufacturing, and health care to veterinary services.

How to access the benchmarks

An easy and quick way to access the data is to use the “business performance check” tool on the ATO app. After entering a few details about your business, the app will show you how your business compares to your industry’s benchmark ranges. The ATO will not record the information that you enter when using this tool.

Alternatively, you can manually view your industry’s data on the ATO website, where it is arranged both alphabetically (A to Z list of industries) and by industry category.

How is your business performing?

Contact us today for expert advice to help your business succeed. We can help you assess how your business measures up against industry benchmarks, review record-keeping for tax compliance and develop effective strategies for improving your business’ profitability.

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