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Public accountant

IPA INSTITUTE OF PUBLIC® ACCOUNTANTS

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

Making GLOBAL local

Borders are not the boundaries they once were for small businesses, and many Australian practices are reaping the rewards of going global

inside
INNOVATION: WHAT SHOULD GOVERNMENT'S ROLE BE?

| **FUTURE-PROOFING YOUR PRACTICE** | **DIGITAL MARKETING** | **NEW TECHNICAL MUST-KNOWS** |

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

Features

As regulatory barriers to overseas trade fall, particularly trade with Asia, SMEs are eyeing new and cost-effective ways to boost their service offerings. In this issue, we look at the opportunities and the risks for accountants of importing and exporting.

We also take a look at what the government's innovation drive means at the grassroots level, and explore the progress made to date.

In addition, we profile IPA member Luke Dawson, who is riding the wave of modern technology to future-proof his firm and expertise.

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Securing your future

The bulk of Australian accounting firms don't have an adequate, or even any succession plan for their business. This has a direct impact on the value of a practice and the livelihood of its owner, so what's the best approach for SMEs?

by Adam Zuchetti

"The consequences... of failing to plan for business succession events can be significant and, in some instances, can cripple business activity and significantly reduce the wealth that has been accumulated by the business owner through years of hard work"

Regulars

Opinion

IPA INSTITUTE OF PUBLIC® ACCOUNTANTS

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Taking SME research to the next level

After three successful years in operation, the IPA-Deakin SME Research Partnership has been extended for a further five years to create a dedicated research centre.

The IPA-Deakin SME Research Centre will be located in the Faculty of Business and Law at Deakin University. The centre's role is to issue briefings, policy papers and research with an SME focus. Areas covered include taxation issues, superannuation, competition policy, governance and corporations law, innovation, trade policy, financial services and small business regulation.

A major achievement in 2015 was the issue of the *Small Business White Paper*, which was released in Parliament House in the presence of two government ministers and which included several well-researched recommendations. These related to revamping education and trading, a state-backed loan guarantee scheme, venture capital, innovation policy, government regulation, fair work laws and competition policy. With greater resourcing and commitment under the new agreement, the IPA-Deakin SME Research Centre will continue to be a pioneer in thought leadership in the accounting profession.

While strengthening the IPA's ongoing thought leadership and advocacy supporting small businesses across Australia, the centre will also deliver strategic advice to peak bodies such as the International Federation of Accountants, the Australian Accounting Standards Board and the Financial Reporting Council. It will address issues and develop policy papers to inform these bodies along with the Confederation of Asian and Pacific Accountants, the Accounting Professional & Ethical Standards Board and the ACCC.

The centre will provide technical support to the IPA on how to improve Australia's taxation and superannuation system from a macro perspective and in relation to small business taxation.

Importantly, the centre will update the Australian *Small Business White Paper*, a critical output of the centre that will provide the central policy platform for the IPA. It will include an extended chapter on innovation and will form part of the IPA's response to enquiries stemming from the development and implementation of the government's National Innovation and Science Agenda.

The centre will also partner with Deakin's Centre for Cyber Security Research on SME-relevant developments, and will work closely with the IPA to respond to government consultation on financial services and, at a deeper level, to government discussion papers.

This development will no doubt extend IPA's insights into many facets of the SME sector and bolster the organisation's advocacy and lobbying efforts.

Wendy Leegel FIPA FFA

From the CEO

Opportunities to be realised in China

The range of Australian business opportunities in China was the focus of the IPA's first delegation to China in June. The delegation consisted of a group of more than 30 senior IPA members from all over Australia who set off to Beijing for a high-level delegation examining the continuing emergence of this economic super power.

I, along with IPA deputy president Damien Moore FIPA and chief financial officer Brett Maloney FIPA, led the delegation, holding a series of meetings that provided an excellent insight into doing business in China and the cultural aspects that you need to be sensitive to.

The comprehensive technical program let us enrich our knowledge of China's significance for the Australian economy and gain detailed insight into the Chinese taxation system, the impact of the China-Australia Free Trade Agreement (ChAFTA), investment trends and opportunities.

The trip also expanded our network of colleagues, with a vast network of IPA members in China and a focus on innovation and technology, reforms to the retail sector, logistics, engineering and construction developments, and the operation of the accounting profession in China.

The delegation provided extremely senior interactions designed to explain the practical issues faced by Australian companies wishing to establish themselves in China and advice to work through these issues to generate success.

We were fortunate to meet with the best and brightest of the business sector in China, such as:

- Professor Li of the National Accounting Institute – a renowned expert in China's taxation system;
- Professor Zhang – chief economist of Ruihua Certified Public Accountants (an IPA member), one of the largest accounting firms in China with more than 10,000 staff;
- Mr Fang – CFO of Gome Holdings (an IPA member), one of the largest technology and retail innovation companies in the world with annual revenues in excess of AU$40 billion;
- The managing partner of Shining Commercial Tax Agent Firm (an IPA Member);
- The CFO of Cummins (an IPA Member);
- Nick Coyle, general manager of the Australian Chamber of Commerce in China; and
- The CFO of China Housing Corporation (an IPA Member)

We were also fortunate to meet with senior representatives from the Australian Embassy in Beijing, AusTrade and the Victorian Government Trade Mission.

This was the first delegation to China and, based on its success, it will not be the last. We will look to pull a further program together for a 2017 delegation. I would encourage members to seize the opportunity when it arises next year.

Andrew Conway FIPA FFA

IPA events

The IPA runs small and large events nationally throughout the year. Below are some of the events for August and September.*

2016 NSW & ACT Conference

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Building the 21st Century Accountant

This year's conference will provide you with a supreme professional learning experience. Get inspired with thought-provoking keynote addresses from industry leaders, stay up to date on the latest trends and developments in the accounting profession, discover the strategies that business leaders have used to remain relevant and succeed in this ever-changing industry.

Join us for this jam-packed two-day event where you can claim up to 16.5 CPE hours, as well as expand your knowledge and sharpen your competitive edge.

For more information, visit publicaccountants.org.au/nswactconference2016

Dates:
Thursday 1 December 2016
Friday 2 December 2016

Venue:
Pullman Sydney Hyde Park

CPE Hours:
Up to 16.5 hours

SOUTH AUSTRALIA - Contact: eventssa@publicaccountants.org.au

Date	Time	Topic	Venue	CPE Hours
2/8/2016	4.30pm - 6.30pm	SMSF Contributions	Level 2, 422 King William Street, Adelaide	2
10/8/2016	4.30pm - 6.30pm	Multiple Holdings and Land Tax	Level 2, 422 King William Street, Adelaide	1.5
16/8/2016	4.30pm - 6.30pm	Estate Administration and Planning	Level 2, 422 King William Street, Adelaide	2
24/8/2016	8.00am - 10.00am	Superannuation Law for SMSF	Level 2, 422 King William Street, Adelaide	2
30/8/2016	4.30pm - 6.30pm	Working With Start-Ups	Level 2, 422 King William Street, Adelaide	2
31/8/2016	4.30pm - 6.30pm	Conflict: Why Early Intervention is Crucial	Level 2, 422 King William Street, Adelaide	2
2/9/2016	9.00am - 12.30pm	Managing Change in Times of Continual Change	Level 2, 422 King William Street, Adelaide	3.5
8/9/2016	8.00am - 10.00am	Quarterly Tax Update	Level 2, 422 King William Street, Adelaide	2
8/9/2016	1.00pm - 4.00pm	GST Update and Current Issues	Level 2, 422 King William Street, Adelaide	3
9/9/2016	9.00am - 4.00pm	BAS Advanced Workshop	Level 2, 422 King William Street, Adelaide	7
13/9/2016	9.00am - 5.00pm	Advanced SMSF Strategy Workshop	Level 2, 422 King William Street, Adelaide	8
21/9/2016	9.00am - 4.30pm	Not-for-Profit Masterclass	Level 2, 422 King William Street, Adelaide	7.5
22/9/2016	4.30pm - 6.30pm	Succession Planning: Buying and Selling a Business	Level 2, 422 King William Street, Adelaide	1.5

VICTORIA - Contact: leah.norton@publicaccountants.org.au

Date	Time	Topic	Venue	CPE Hours
1/8/2016	9.00am - 5.00pm	Trusts, Buying and Selling a Business, Interest, Estate Planning	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	8
16/8/2016	9.00am - 4.15pm	How to get the most out of your tax losses	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7.25
26/8/2016	9.00am - 4.30pm	Taxation Aspects of Choosing a Business Structure and Taxation	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7.5
30/8/2016	9.00am - 5.00pm	Effective Variance Analysis and Forecasting AND Streamlining	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	8
31/8/2016	9.00am - 4.30pm	SME Audit For Beginners	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7.5
6/9/2016	9.00am - 4.30pm	BAS Advanced Workshop	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7.5
21/9/2016	9.00am - 4.00pm	GST Aspects of Imports and Exports / GST and Real Property Investments	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7
27/9/2016	9.00am - 4.00pm	Trust Taxation Intensive	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	7
1/9/2016	9.00am - 5.00pm	SMSF Audit Fundamentals Principles and Practice of SMSF/2. SMSF Advanced Audit	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	8
23/9/2016	9.00am - 5.00pm	SMSF Audit - Property Investment / 4. SMSF Audit - What happens when the trustees get it wrong	IPA Training Centre, Level 6, 555 Lonsdale St, Melbourne	8

2016 National Congress

—

The 2016 National Congress is the premier accounting event of the year, bringing you the best in professional development and providing you with information on the latest changes facing the profession.

With a reputation among Australians for being the national sporting and cultural capital of Australia, Melbourne has so much on offer. Leafy boulevards, trendy cafés, chic bars, lavish theatres and a labyrinth of fantastic laneways (not to mention great coffee!).

Add to all of this a comprehensive education program, top-class presenters and a social program that will include a cocktail reception, gala dinner and a secret farewell dinner at one of Melbourne's iconic destinations – you will not be disappointed.

For more information, visit publicaccountants.org.au/nationalcongress2016

Dates:
Wednesday 23 November 2016
Thursday 24 November 2016
Friday 25 November 2016

Venue:
Grand Hyatt Melbourne

CPE Hours:
Up to 21 hours

QUEENSLAND - Contact: qlddivn@publicaccountant.org.au

Date	Time	Topic	Venue	CPE Hours
1/8/2016	9.00am - 4.30 pm	SME Auditing for Beginners	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
8/8/2016	9.00am - 12.30pm	Fundamental Principles and Practice of SMSF Audit	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	3.5
8/8/2016	1.00pm - 4.30pm	Advanced SMSF Audit Workshop	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	3.5
9/8/2016	9.00am - 4.00pm	Capital Gains Tax Issues (Advanced)	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
11/8/2016	9.00am - 4.00pm	Preparing Tax Returns for Companies	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
12/8/2016	9.00am - 4.00pm	Preparing Tax Returns for Individuals	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
25/8/2016	9.00am - 4.00pm	Taxation Aspects of Property Investment Master Class	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
26/8/2016	9.00am - 12.00pm	Effective Variance Analysis and Forecasting	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	3
26/8/2016	1.00pm - 4.00pm	Streamling the Annual Budgeting and Forecasting Process	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	3
29/8/2016	9.00am - 4.00pm	BAS Fundamentals	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7
9/9/2016	9.00am - 1.00pm	Excel 2010 - Pivot Tables	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	4
16/9/2016	9.00am - 4.00pm	Trust Taxation Intensive	IPA Training Centre, Level 11, 300 Queen Street, Brisbane	7

2017 Vic & Tas Congress

—

This event is sure to be the highlight of the 2017 Victoria and Tasmania CPE calendars.

The 2017 Vic & Tas Congress brings you the best in professional development, providing first-class technical updates and industry news, inspiring keynote speakers and an invaluable opportunity to learn alongside your peers.

Register before Thursday 1 December 2016 with a $150 deposit to be eligible for Early Bird Pricing!

For more information, visit publicaccountants.org.au/victascongress2017

Dates:
Thursday 2 March 2017
Friday 3 March 2017
Saturday 4 March 2017

Venue:
RACV Resort, Goldfields

CPE Hours:
Up to 17 hours

**Events, dates and locations listed are correct at time of printing.*

China delegation

In June this year, the IPA gave members the opportunity to join a business delegation to Beijing for five days. Led by IPA CEO Andrew Conway, the delegation was a first for the IPA, and showcased for members the commercial opportunities that Australian businesses will see from the grassroots up, following the historic China/Australia Free Trade Agreement (ChAFTA) that came into force in December last year. Off the back of a successful first trip, the IPA plans to offer this opportunity to members again in 2017.

Left top: IPA member Mr Wei Fang (seated, far left), CFO of Gome Holdings (one of the world's largest technology and retail innovation companies, with annual revenues in excess of AU$40bn) presents to delegates

Left middle: The IPA delegation to China brought together key leaders

Left bottom: IPA CEO Andrew Conway with Mr Yu Gu, General Manager of Huajian Green House

Right top: Delegates at the Temple of Heaven

Right middle: IPA International Education Manager (China) Rhona Chen with delegate, Joe Choueifaty

Right middle: Delegates visiting the Summer Palace

Right bottom: Sotos Zervides enjoying one of the presentations

Middle bottom: Bob Gajic attending the farewell dinner at Baijia Dayuan

Upfront

IPA submissions and views

The IPA's latest submissions include input on the income tax rules and small business restructure roll-over laws

Changing the Criteria of 'Ineligible Activities' in the *Income Tax Assessment Act 1997*

The IPA provided a submission to Treasury on its consultation, *"Ensuring that venture capital tax concessions are available for investment in startup FinTech, banking and insurance activities"*. Our submission provides some recommendations on modifications that should be made to the *Income Tax Assessment Act 1997's* definition of "ineligible activities".

Law Companion Guidelines 2016/D2 and 2016/D3 - Joint Submission

These law companion guidelines provide early guidance on how the ATO will apply the recently enacted small business restructure roll-over (SBRR) laws. The new SBRR rules introduce some new concepts, so being able to obtain some early guidance material concerning the application of these SBRR laws is welcome. Tax practitioners much appreciate being able to obtain this guidance ahead of its introduction on 1 July 2016. Given that SBRR applies to small business entities that are in the main serviced by one or two person practices, it is important that the new laws can be interpreted without too much uncertainty. The IPA made a number of recommendations in relation to the guidelines.

Licensing will progress when 'noise' settles: Hayes

Hayes Knight director Greg Hayes believes the slower-than-anticipated take-up of licences under the new regime is partly intentional, with accountants waiting for the barrage of commentary and marketing to settle before setting their arrangements in stone.

"There's so much feedback, so much commentary, so much marketing. Many accountants have felt they need to get past June 30 and then get a better understanding of the differences on offer and what the best path for them is," Mr Hayes said.

"I imagine this will happen by the end of the year, if not early 2017," he said.

Mr Hayes noted that as the regime has taken effect, some of the finer and potentially problematic details have begun to surface – and accountants should take note.

"You might have someone in your firm licensed or authorised, then a whole bunch not licensed or authorised," he said. "You've got to consider how the firm will then manage things like basic client enquiries. Do all staff know where the dividing line is and what the rules are?

"Also, consider your website: have you met all of your new disclosure obligations? You might need to review your marketing material online and see if there's any statement you are making that would now, technically, be regulated advice, and make sure you have the appropriate disclosures on them."

Some details, right down to the letterhead used, are critical from a compliance perspective, he added.

"If you are an accounting firm, you'll hold a PI policy in your own right as the accountant. If you're licensed, you'll also be covered by the PI policy of your dealer group, for example. In terms of client engagement, if your activities are covered under the dealer group's authorisation, make sure it's clearly coming from the right arm of the business," Mr Hayes said.

"You don't want to be sending the client a statement of advice, or any advice piece, on your accounting letterhead. If you start crossing over into financial advice areas under your accounting label and that accounting label is not the licensed entity, you're opening it up to risk."

– Accountants Daily, 15 July 2016

ATO undertaking 'aggressive' surveillance campaign

The ATO has increased its surveillance, and activity more broadly – including in the SMSF sector – and is getting particularly "aggressive" with offshore investments, law firm Arnold Bloch Leibler has warned.

Clint Harding, an Arnold Bloch Leibler partner, noted the ATO's surveillance capabilities have vastly increased in the past three years, as the government continues to direct funding and resources towards specific compliance targets.

Money coming into Australia from overseas – including funds that can make their way into an SMSF – is high on the ATO's watchlist, Mr Harding said.

"When money crosses the border it sets off a little flag with Austrac, and the ATO is now getting pretty aggressive in terms of sending letters to people demanding that they explain the nature of the money," he said.

"If that's not clear, the ATO will certainly ask the question and put the onus on people to demonstrate where it's come from and what it is," he added.

Residency status is also high on the ATO agenda, Mr Harding said, especially in cases where a taxpayer is trying to convince the ATO they have ceased being an Australian resident.

The tax office is closely monitoring the affairs of these taxpayers, actively pursuing and questioning them where there is an element of doubt, he said.

The ATO told *SMSF Adviser* earlier this year that there will be several items on the 2016-17 regulatory radar that specifically concern SMSFs, including related-party transactions, out-of-pattern growth in the value of an SMSF, and the tax treatment of funds in pension phase.

– SMSF Adviser, 14 June 2016

Corporate tax minimisation costs US$1 trillion, claims insider

The big four accounting firms have been branded as aggressive and unethical and accused of "perpetrating the greatest tax crimes in history" by a leading corporate tax authority.

At least US$1 trillion in tax revenue is lost worldwide, including $50 billion in Australia, as a result of aggressive tax minimisation schemes established by the four giant firms that audit the books of nearly all the world's major companies, said George Rozvany, a 32-year veteran of the corporate tax industry.

"I'm a conservative man; I think the figure is actually much higher," Mr Rozvany told the ABC.

"It's very clear to me that the big four accounting firms are the masterminds of international tax avoidance.

"They work with government to deliver what they want for their clients. It's not set in a social context; it's designed to deliver an outcome for their clients."

Mr Rozvany spent 32 years working in corporate tax, and is Australia's most published author on transfer pricing, a technique that multinational companies are using increasingly to shift profits from high-tax to low-tax jurisdictions.

Sham transfer pricing arrangements, he says, are now out of control.

"Transfer pricing behaviour clearly is the greatest concern because it's very easy for a transfer pricing expert to dress up a sham transaction as a real commercial transaction," he said.

"I'm talking about service arrangements, intellectual property transfers – such as patents or use of patents – and perceived transfer of goods, sham loans between related parties, but in reality it's all about providing services at too high a price which then shifts [income] to a lower-tax jurisdiction."

– ABC Online, 12 July 2016

Big pay rises for accountants, lawyers and IT professionals

Accountants, as well as lawyers and information technology professionals, received the most generous salary increases in the current remuneration review cycle, during which 16 per cent of employers offered no pay rises at all, according to Hays' Salary Guide.

However, only 6 per cent received an increase over 6 per cent, while one in five saw an increase of 3 to 6 per cent.

A majority (58 per cent) received an increase of less than 3 per cent, although this figure is still above the official inflation rate.

Competition for good candidates is intense, but salaries remain stable due to budgetary constraints.

"Demand for senior candidates has continued to improve, most noticeably for senior accountants and financial controllers. However, the executive market has seen only selective appointments due to a lack of movement from incumbents," the Hays Salary Guide reports.

The use of temporary or contract staff will also increase, the guide notes, while for graduates, hands-on experience continues to trump an impressive academic record.

Staff retention will continue to be an issue for PricewaterhouseCoopers, Deloitte, Ernst & Young and KPMG, with big four first movers still in high demand from commercial organisations, despite the trend towards the offshoring of finance functions.

– AFR, 12 June 2016

Accountants shy away from SMSF licensing

A new report suggests thousands of accountants will not be authorised to provide SMSF advice after the June 30 expiration of the accountants' exemption.

According to Investment Trends' 2016 *SMSF Accountants Report*, only 1,000 accountants have successfully got their licensing arrangements in place, through either a full or limited AFSL, in the past 12 months.

Investment Trends said this means there are 5,500 accountants who are now appropriately licensed to provide SMSF advice.

Recent reports from ASIC have shown that the take-up of the limited licence option, which involves an accountant obtaining their own AFSL, is slow.

Only 149 applications were approved as of May 23 this year.

"There are still 12,500 accountants who want to operate under a full or limited AFS licence but who haven't completed the qualification process," Investment Trends senior analyst King Loong Choi said at the time.

The research also found that there are 9,000 accountants who have decided not to become licensed, and will instead rely on referral relationships for their SMSF clients.

– ifa, 2 June 2016

IPA in the media

The IPA continues to attract attention on a range of issues, including the federal budget, tax reform and technology

Low-income super tax offset

"The IPA has expressed strong support for this move, and has long been an advocate of increasing measures to support low-income earners in the superannuation environment."

– SMSF Adviser

Investing in technology

"Our digital platforms have been significantly overhauled as an organisation and we've spent a considerable amount of resources in making sure our organisation is equipped to do business in the 21st century, with a growing brand of Millennial professionals coming into the practice," [Andrew Conway] said.

– Self Managed Super Magazine

New platforms

"We've created a platform, Professional Assist, which allows you to log an inquiry with a panel of tax law experts and have that response provided back to you typically within four if not 48 hours, and that can then be provided directly to clients." [Andrew Conway]

– Financial Observer

Two-tier tax system

"But the particular change we are in least favour of is that reduction of the concessional caps," [Tony] Greco said. "It's interesting that it applies only if the legislation ever surfaces, so it's an interesting dilemma that people will find themselves in – that if the government doesn't get elected, then it leaves us in a bit of a quandary."

– Financial Observer

Small business measures

"Unincorporated small businesses won't completely miss out. The benefits will be extended by increasing the eligibility turnover threshold from $2 million to $5 million per annum, and increasing the discount to 8 per cent (and 16 per cent over the next decade). Disappointingly, the $1,000 cap per annum remains." [Andrew Conway]

– Money Management

Advice as tool to broaden offering

The IPA is adopting advice as a key area of focus for its members in terms of educational pathways, as it looks to broaden the traditional suite of services accountants offer.

– Self Managed Super

Tax time

"Clients not making contact with their accountants will not know what changes they need to adjust to and may miss things they need to factor into their returns and this cannot be corrected once the clock ticks over," said Tony Greco.

– SmartCompany

Perks for small business

IPA senior tax adviser Tony Greco said people running a business could still take advantage of the $20,000 instant asset write-off in which they could buy equipment for their business. "Unincorporated small businesses, including sole traders, partnerships and businesses operating through trusts, can also look forward to a tax rebate this year," he said. Mr Greco said the rebate was the IPA's signature policy in its submission to the federal government. The government announced it in the 2015 budget and it comes into effect for the first time this year.

– Herald-Sun

From the Hub

Public Accountant's digital hub is a daily source of the latest news relevant to IPA members. Stay up to date at www.pubacct.org.au

BDO calls for 20-year stability period for super

Tax and advisory firm BDO Australia has called on both major political parties to commit to a sustained period of stability for the superannuation tax system.

BDO superannuation partner Paul Rafton says the current instability faced by the super system, stemming from proposed government changes, is discouraging superannuants aged between 25 and 40 from making contributions to super.

"We conducted a brief survey around our office focusing mainly on 25- to 40-year-olds and found that no one was considering contributing beyond the mandatory super guarantee," Mr Rafton said.

"It's not that people don't want to plan for the future, but they need certainty if they are to stay invested in the process."

While an ideal set of superannuation rules will mean different things to different people, he said, for most Australians a sense of stability and certainty will go a long way to creating confidence in their funds and their ability to contribute.

"If both government parties were to commit to a sustained period of stability, say for at least 20 years, it would allow Australians to prepare for their future and know year-on-year what they are able to contribute and what the results will be," Mr Rafton said.

"Ideally, any changes that are made will be followed by the government drawing a line in the sand and saying this is what superannuation will look like for a significant period of time.

"If a person in their 20s only contributes the mandatory 9.5 per cent from now until their retirement, they'll fall a significant portion short of what they will need to live a comfortable lifestyle in retirement," Mr Rafton said, adding that they will then need to lean more heavily on the age pension or other investment alternatives.

Accountants facing year-long delays with ASIC

It may take up to a year for ASIC to complete processing of the remaining limited licence applications, leaving many SMSF accountants in the lurch, says one SMSF compliance expert.

Sophie Grace Compliance and Legal's director, Sophie Gerber, said the slow pace at which ASIC is processing limited licence applications is causing significant problems for some accountants.

"The slowness [is] turning people off doing business in some cases," said Ms Gerber.

"A lot of the accountants lodging applications at the tail end of the transitional period probably thought they'd slip through quickly and that's not what's happened."

At last count, ASIC said that of the 1,146 licence applications it has received since the start of the transitional period, only 317 have been granted a licence or offered a draft licence. A further 582 applications are yet to be assessed, while another 264 applications have been withdrawn or returned because they were "incomplete, deficient or missed mandatory information".

Ms Gerber said the increased funding ASIC is set to receive may, however, flow through to many backlog issues, such as licensing.

While she believes ASIC will be too consumed by processing licence applications to closely monitor compliance with licensing over the next 12 months, Ms Gerber warned accountants against becoming complacent.

"ASIC can still identify incidents occurring now where accountants have provided unlicensed advice and flag them further down the track," she said.

Regarding financial advice, Ms Gerber said ASIC will continue to closely monitor compliance around best interests, particularly given the NSG Services legal case.

ASIC announced in June it had commenced proceedings against the Melbourne-based firm, alleging the licensee had breached the best interests duty.

Depending on the outcome of the case, Ms Gerber said it could potentially have significant implications for the SMSF industry, in terms of how SMSFs interact with the *Corporations Act*.

Member snapshot:

Rosemarie King FIPA

Who are you?
I am Rosemarie King and I emigrated from England in 1981. I am a public practitioner. I built up a practice in Campbelltown, NSW, known as Rosemarie King & Associates. I sold my practice in 2013, having started back in 1987, travelling to people's homes and drafting their return on site so they knew what the outcome of the lodgement would be. In 1994, I extended my home so that the clients could come to see me. My practice grew, so in 1995 I was in a position to start employing staff. Then in 2000, I moved my office to the UBD of Campbelltown.

What is your background within the accounting industry?
When I was young, there weren't the opportunities for school leavers to go into exciting positions. So when I left school I secured a position as an office junior. I learned there that figures and business do go hand in hand. I was very impressed with the accounts department and as soon as an opening was available I applied. At 18, I had worked my way to the position of accounts supervisor.

By the time I arrived in Australia, I had [gained] vast experience as an accountant's assistant. So after securing a position as an assistant to an accountant here, I decided that in order to progress I needed to qualify as an accountant. So I worked hard and studied hard and qualified in 1986.

At the same time, I had exposure to a public practice and this is where I gained much experience on the taxation side of accounting. I have enjoyed this profession so much and still get great pleasure from helping small businesses understand the story that their financial reports are telling them.

When was your first exposure to the IPA, and how did that relationship blossom?
I was admitted as a member of the National Institute of Accountants [the NIA, now the IPA] in 1988. It was during my time of study, and I joined as a student member. Once qualified, I applied for the full membership. It wasn't until the early 1990s that I started to get really involved. Being one of the few female public accountants working as a sole practitioner, I found the local discussion groups to be particularly male-oriented. This wasn't bad, but the men did tend to be rather cagy with their knowledge when questions were raised about various taxation issues.

A few of us women formed our own discussion group, [thinking] we would have more knowledge in this industry if we networked together and helped each other. 'WISP' (Women in Sole Practice) met monthly at each other's homes, but as the group grew, we needed more space, so we approached the NIA Sydney office and were given the use of the conference room. This worked well for quite a number of years.

As convenor, I was constantly on the lookout for subjects of interest for the group's continuing professional education, and this resulted in it growing even bigger. Again, the NIA office in Sydney allowed us the use of the training room. It was [because of] my involvement with the wonderful team in the Sydney office, [that] I began to feel a real part of the IPA. That's why I lodged my submission to become part of the Divisional Board of Councillors – it was a way for me to bond with the accountants who had become the WISP group and the IPA.

What is your role in the National Divisional Council?
I am the NSW Divisional President. [The divisional presidents] meet throughout the year to review applications for the Board of Directors vacancies, and elect candidates to the board. Guidelines for this process are contained in the Constitution.

Where do you see the IPA in the next 5-10 years?
The IPA's growth during the seven years that Andrew Conway has been CEO has been incredible. I feel very blessed to have been there and can say that I know this man. Andrew has a very dynamic approach, as we have found with the amalgamation between the IPA and the IFA, creating the largest SME-focused accounting body in the world. This gives the IPA a much stronger voice globally. I would love to be a part of the IPA success with gaining Royal Charter. The IPA can only go up from here.

LinkedIn

What's on members' minds?

Share your views with fellow IPA members by joining the IPA LinkedIn Group

Business planning
"I now hold the view that it does not matter when you do your planning so long as you actually do it and you refresh it at least every six months but preferably every quarter."

Economic growth
"Reform is crucial, especially tapping the international experience and skill of migrants that are relevant for the Asian markets."

SMSF licensing
"Small APRA funds may be the preferred option after the accountants' exemption expires."

Leadership
"Encouraging leadership and people management skills at every level of an organisation is key to success. Leadership matters everywhere. People really only need four items at work: 1) a job that interests them, 2) a chance to progress in their job, 3) to be treated with respect, 4) to have a boss who helps them succeed."

Practice management
"The world of small business is becoming a leaner place. The future demands a more integrated approach to run everything from financials and payroll to inventory, order management, customer relationships and shipping."

Small business
"Systems and processes are important for small business. But when I speak to small business owners these days they are telling me the two things that can really help their business right now are more customers and more revenue. And when they implement marketing strategies to satisfy those two needs, that is when they will be looking for systems and processes."

Staffing
"Human resources are everybody's responsibility. You cannot expect it to be something processed by the HR department – every manager has to be skilled in HR process for success within the business. Of course, you have to have a specialist resource – the approach is to really embed the importance of managing people into the wider workforce for success."

Markets outlook
"Britain's vote to leave or remain in the EU gripped markets for weeks. Bookies have been giving better financial advice of late than advisers."

Marketing tools
"Once the exclusive domain of large companies with bigger budgets, there is now a plethora of marketing automation tools that offer incredible opportunities for large multinationals right through to smaller-sized organisations as well."

Growth opportunities
"Aussie accounting firms need to rejoin the worldwide profession where the vast majority of accounting professionals are focused on making clients more profitable rather than defending those profits from excessive tax imposts."

"I sat down in the interview and just told the guy all about me: this is what I'll do and this is what I'll make happen. I think he just loved the enthusiasm"

Turning PASSION into livelihood

Director of wHeregroup Todd Hunter found a way to turn his passion for property into a successful, sustainable business – but his road to success was less than conventional

by Michelle La

WHeregroup's Todd Hunter has always done things completely outside the box. Open to new ideas and not afraid to stir up controversy, Mr Hunter has built a property investment empire from the ground up – one stamped with his affable personality.

wHeregroup, a property-buying agency and mortgage broking firm, was established based on Mr Hunter's keen eye for buying houses.

"I've always loved property – before I was a broker I had already owned a couple of properties," he says.

"[wHeregroup] helps investors build property portfolios and create wealth – and we do it very much differently to anyone else on the market."

Mr Hunter's unique approach to the property business relies on his walking the talk by first personally investing in locations in which he then advises clients to purchase.

Along with a knack for spotting property value and potential, Mr Hunter has also demonstrated his savviness in seeing the opportunity to build a niche business.

"There is a lot more opportunity in these places than what I could personally invest in. So then I go and buy for my clients as well," he says.

Complementing his own investment interests with a home-buying agency obviously involves a coordinated effort, but reaching this level of business success has been a journey of 14 years in the making.

From tyre fitter to mortgage broker

Right from the beginning of his career, Mr Hunter has taken an unconventional approach to success.

"I was pretty young; I lived with a couple of mortgage brokers in a sharehouse in Perth," he recalls. "They were living these fantastic lifestyles and I thought, 'I wouldn't mind doing that – that seems like a good job!'

"So when I came back to Sydney, I applied and got my way into Aussie Home Loans."

With no formal qualifications or prior experience, Mr Hunter had talked his way into becoming a mortgage broker.

"I was basically a tyre fitter before that. I pretty much sold myself to get into Aussie Home Loans," he says.

"I sat down in the interview and just told the guy all about me: this is what I'll do and this is what I'll make happen. I think he just loved the enthusiasm."

That comes as no surprise. Mr Hunter's effervescent energy for aiming high and achieving goals via the road less travelled, as well as his lack of fear of traditional obstacles, is infectious.

"I was with Aussie Home Loans for about 16 months," he says. "Then I left, went out to become an independent broker and started the buyer's agency business at the same time."

Finding the right people

Like many other ambitious business start-ups, wHeregroup fostered momentum and recruited fast.

"I started taking on mortgage brokers under me," says Mr Hunter. "I had a solicitor, accountant and financial planner who would subcontract to me."

While the rapid growth of his team looked great on paper, in practice it did not translate into a sustainable business.

"I had all the pieces of the puzzle, but I think I did that way too quick," he says, reflecting on the early stage of the business. "I wasn't experienced enough as a manager at that stage to understand, and I didn't get the right people on board. I had about 16 people at one stage!"

When it came to organisational fit during those early days, quantity over quality became a challenge.

"I had to be a professional firefighter because all I did every day was put out fires," says Mr Hunter, chuckling at the metaphor. "It was probably one of my worst years in business, financially. It was a learning curve, it was a mistake."

After reassessing the situation, he decided to strip back the team to four employees and start over again.

With Mr Hunter's upbeat approach, "a mistake" merely felt necessary and natural to wHeregroup's progression and the tough start simply shaped the business into a confident and self-sufficient enterprise.

"Now we're a team of eight and I've slowly but surely put the right people in the right positions," he says.

Mr Hunter now also has a new perspective on his personal leadership. "This is as big as I realistically want to get to," he says. "I don't want to have a huge team anymore."

He attributes at least some of his business success to a change in his approach to hiring – moving from hiring for skill to instead recruiting for personality.

"You can teach people what to do, but you can't teach personality," he says. "You can't teach work ethic; you either have that work ethic or you don't.

"I want the right person and the personality behind that. Even if they don't have the skill set, I can easily teach them that skill set."

16
The number of months Todd was with Aussie Home Loans

8
The number of people on the wHeregroup team

Technology and relationships

Mr Hunter's openness to conversation and relationship building seems to be the key to his keeping up with innovation and change.

The current wHeregroup team would be "half 'Gen X' and half 'Gen Y', and that works well", says Mr Hunter. "The Gen Ys certainly keep me on my toes as far as the technology goes.

"I come up with a lot of the ideas and then say, 'Look, it'd be great if we could do this'. Then they'll come up with a solution through IT and all of the technology that's out there to try and do what we want to do."

He contrasts this with the earlier days of the business, when he had dial-up internet access and used newspaper and Texta to research property locations.

"I would write notes, do drawings, scribble and cross things out," he recalls. "My floor used to look like a rubbish tip at the end of it and I would finally come up with a location that fit all of my criteria.

"That process used to take about three weeks. Software for researching property locations has certainly come a long way. Now I can find new locations in about a day and a half.

"I have a few of those old 'fish and chip paper' drawings still," Mr Hunter laughs. "The staff have been saying we need to get them in frames and stick them up in our office, and I think that's not a bad idea!"

But while technology has helped the research component of his work immensely, Mr Hunter emphasises that it needs to be combined with genuine relationships.

"For me, researching and choosing where to buy property is all about the data initially," he says, "but from there, it's all relationship-based."

100-150

The number of people Mr Hunter refers to accountants each year

Social networking

At a time when SMEs are increasingly turning toward digital marketing and social media, Mr Hunter again appears to take it all in his stride.

A Google search for "Todd Hunter" reveals a slew of contentious blog posts, savvy YouTube videos and an opinionated Facebook account – all written with Mr Hunter's signature brand of friendly controversy.

Despite his active online presence, however, Mr Hunter's focus remains on real world connections.

"I'm a little out of the box in how business comes in the door," he says. "I social network without really even social networking. I get a lot of business that is just from people that I've met out and about. I'm just casually talking to them and it could be three, six, nine months later and they say, you know what, I need to go speak with Todd," he said.

"But I'm always just talking – it's never a hard sell," he adds.

> "I was pretty young; I lived with a couple of mortgage brokers in a sharehouse in Perth. They were living these fantastic lifestyles and I thought, 'I wouldn't mind doing that – that seems like a good job!'"

Also, much of Mr Hunter's day involves not being in the office 9 to 5.

"If I'm in here too much, my staff kick me out," he says, "so I go play golf, I'll meet three or four guys and they'll go 'what do you do?' and I'll start talking."

What Mr Hunter illustrates is a strategy for building new referral trees that even Google employees would be enviable of.

"It works great," he says. "You always have to be looking for those opportunities, and unfortunately, sitting behind a desk from 9 till 5, they're not going to come find you there."

The accounting connection

Mr Hunter has always had a close working relationship with his accountant. From wHeregroup's very beginnings, an accountant has always been on board.

However, his enthusiasm for pushing against convention meant he found himself "outgrowing" his accountants roughly every four years.

"I'm fairly tax-savvy, I stay on top of things, I stay on top of superannuation, I stay on top of tax legislation – I like to know a lot of what's going on," he says, "but my current accountant is awesome. She's probably the first accountant who teaches me things, so I use her knowledge considerably."

Mr Hunter places great value on creativity – as well as on compliance – in their working relationship.

"I'm fairly out there in relation to ideas of what can and can't be done," he chuckles. "I will always bounce the creativity off her, and she will be as creative as she can within guidelines."

While compliance obligations can often be an obstacle to business, Mr Hunter views the accountant's role as facilitating new possibilities. He was forthright when detailing a recent example in which he wanted to buy property in the United States within his SMSF.

"Holding a bank account in the United States in your SMSF under normal legislation with the ATO is a no-no," says Mr Hunter.

"This was Todd being creative again," he jokes, "but my accountant took it all on board and made it happen. She advised me that we had to go for an ATO private ruling, and we were the second people in the country to do so.

"She advised me that that's what we needed to do, she put the private ruling together, we got approved and away we went."

For Mr Hunter, the value of having a strong relationship with his accountant extends beyond just business operations, and he has witnessed the referral tree that can be built through having a genuine professional partnership.

"It's unfortunate, but for [some] accounting firms, the referral tree is all based around referral fees," he says.

In Mr Hunter's opinion, these are not relationships but rather, a fee for service arrangement.

"That's not the business I'm after," he says. "For me, I probably refer 100 to 150 people a year to accountants. I do it all for free, but it's a two-way street. That's how they should be doing business."

Importing and exporting

Making GLOBAL local

An increasing number of Australian small and medium-size businesses are expanding their operations beyond our borders. Import and export operations overseas can be very rewarding for SMEs, but it's also risky business. What do accountants need to know before they dive in?

by Michelle La

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By its nature, import and export trade has traditionally been a difficult domain to break into, with its high variables and risk.

However, the recent completion of Free Trade Agreements with China, Japan and South Korea has lowered significant barriers to Australian businesses seeking access to key trading zones in Asia.

With easier access to huge, potentially new markets, import/export has now become an open prospect for SMEs – and it appears that business owners are taking these possibilities in their stride.

According to a recent report from Efic, the Australian government's export credit agency, one in five SMEs intends to establish new overseas operations within the next six months.

However, while the potential for SMEs remains favourable, overseas expansion is still fraught with significant risk and many variables.

Every business, product and market is vastly different from every other, so there can be no generalist advice that can be adhered to across the board.

The need for specialised and practical advice on establishing import/export markets can be daunting for SMEs in the early stages.

As Peter Linane, Director of UV Wraps 'n' Straps, an importer, distributor and exporter of safety glasses, puts it: "It's all basic when you know it, but when you don't know, it can be confusing."

A chat with Mr Linane reveals the slew of hidden details and costs involved, such as rebates, product testing, regulatory body fees, payment terms and GST.

"You need to know the outside costs that aren't directly on the product, but more involved with distribution, shipping and fees," he says.

Nevertheless, while there is significant need for specialist advice and keen interest in overseas expansion, two thirds of the SMEs surveyed for Efic's 2016 SME Exporter Index did not seek any export-related advice.

These trends indicate that for accountants, there is a niche but growing field for which expert advice is required, and suggest there is an opportunity for accountants to become a go-to for the increasing number of SMEs needing import/export advice.

Suzanne Buissink, AIPA and Practice Manager of Continuum Accounting, supports the idea that accounting firms are well positioned to offer overseas trade advice, particularly within the SME sector.

"We hold a very strong level of knowledge and network opportunities," she says.

"There are local people wanting to go overseas or international people wanting to find compliance in Australia, but don't want to go to the big four firms.

"They don't necessarily want to have the time or the money spent, or they simply just don't need that level of skill. They need something that sits between," she says.

Importing and exporting represents a lucrative, exciting space for SMEs – and for accountants who are interested in establishing a specialisation.

"There's going to be some really interesting things we can do here and we should take advantage of it now," says Ms Buissink.

> "There are local people wanting to go overseas or international people wanting to find compliance in Australia, but don't want to go to the big four firms"
>
> – Suzanne Buissink, Continuum Accounting

Free and easy

Recently formed Free Trade Agreements have helped make it easier for Australian SMEs to establish overseas trading business in both import and export directions.

One practical benefit has been the elimination of duties on goods, consequently streamlining trade and making it cheaper and simpler to complete transactions. The gains are apparent for SMEs

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> "If you're importing, there can be a certain wait time to get the product in. Likewise, if you're exporting you need to be able to keep up with demand. You don't want to run out of stock"
>
> – Jamie Johns, Sky Accountants

such as b.box, a business selling baby products.

Winner of the government's 2015 Small Business Exporter of the Year Award, b.box punches above its weight in the international market, exporting to 22 countries around the world.

"Korea is one of our biggest markets, and because all of our products are manufactured in China, the Free Trade Agreements have been a big help for us," says Monique Filer, co-founder and Director of b.box.

"When we're importing into Australia, we're no longer having to pay duties on those products. Therefore when we're exporting out of Australia, we don't have to worry about duty drawbacks," she says. "There's a lot less paperwork for us."

Furthermore, the Free Trade Agreements have opened up new dialogue between businesses across Australia and other countries.

Following the coming into effect in December 2015 of the China/Australia Free Trade Agreement (ChAFTA), the IPA sent a delegation to Beijing to explore commercial opportunities.

Continuum Accounting's Suzanne Buissink attended with the delegation. On returning, she reported fervour for new trade opportunities, both from Australian and Chinese businesses.

"I think that with the ChAFTA at the forefront of things now, people are more open to the idea of 'let's do things'," she says.

These positive sentiments, according to Ms Buissink, stem from the mutual benefits involved.

"There are things that can come out of China that we can take advantage of, and things that we have that they can take advantage of," she says. "I think there is a very strong desire to be out there and trading."

Given the new opportunities for open dialogue, Ms Buissink was able to build key international relationships in a short space of time. As a result, she opened up the pathway for one of her clients, a software company that manages medical records databases, to roll their product out to hospitals in China.

"It was really important to break down that barrier and to meet people in China who want this as much as we do," Ms Buissink says, "and I think that was a really empowering thing."

Her confidence in the partnership stems from its reciprocal relationship – with a quality product matched with the right distributor in the relevant market.

"It's really a great opportunity for our client, but also the end users as well," she says.

Bigger is better

Looking overseas can help an Australian business build in terms of volume through its opening the doors to much larger markets.

"We're looking at Australian markets being limited," says Ms Buissink. "Having a market like China come on to the menu just expands opportunities exponentially – so you're growing a business."

New overseas markets also bring diversified opportunities, she adds. In the case of her medical software client, Ms Buissink suggests that expanding into a new country could lead to the evolution and development of the product into new platforms.

"It's providing opportunities for expansion, in particularly something like IT, that you couldn't foresee in the Australian market before," she says.

Read this article online at pubacct.org.au

> "Korea is one of our biggest markets, and because all of our products are manufactured in China, the Free Trade Agreements have been a big help for us"
>
> – Monique Filer, b.box

For b.box founder Monique Filer, overseas trade has been instrumental in scaling up her business.

"Our largest export market is Korea – their birth rate and population is so much bigger than Australia that we can really capitalise on that," she says.

The key to capitalising on these larger populations, however, began at home by brand building locally.

"Internationally, people want to know how well the product is doing in your local market before they take it to their market," she says.

Knowledge is power

When it comes to the advice that SMEs need to receive before importing or exporting, Ms Filer is adamant: "They really need to get their pricing right – I think this is the hardest thing," she says.

"The reality is, if you're exporting and you're selling in container loads, it's OK to make a smaller margin. And it's OK for the distributor to make more than you."

Ms Filer acknowledges that it may feel counterintuitive for a business to set its margins lower than the distributor.

"[However,] once you've sold it, you're not holding any more of the risk. They're holding the risk," she says. "There has to be enough money in there for them to promote your product.

"Your distributor needs to make money too," she continues, referring to the need for mutual benefit. "That's the only way it's going to work. I'd rather make a little less and know that they're going to reorder."

As well as pricing, SMEs need to do their homework to understand the local taxes and competitive characteristics of each region, says Ms Filer.

"You've got to be able to price your product competitively in that market that you're exporting to," she says.

UV Wraps' Peter Linane echoes this advice and emphasises the need to consider the exchange rate when determining product price.

"Every time you are quoted, or are quoting, you're talking in the US dollar," he explains. "You need to make sure that you've built in a buffer, so if the dollar fluctuates you won't go broke.

"It just comes back down to basic mathematics like most business ideas do," he says.

In the business for 16 years, Mr Linane has observed that a high number of import/exporters fail due to experiencing unexpected costs and variables. "That's the problem, I think – too many people going in uneducated," he says.

And the best advice? Mr Linane summarises it best: "You need to talk to someone else who is already doing it."

A helping hand

Accountants are now well positioned to help SMEs with many aspects of the import and export trade.

Accountants play an instrumental role in business structuring to handle operations, minimisation of taxes, protection of assets, liability and intellectual property across both the domestic and the international domains.

IPA member Jamie Johns, Director of Sky Accounting, says setting up an effective inventory system is crucial for import/export SMEs.

"If you're importing, there can be a certain wait time to get the product in. Likewise, if you're exporting you need to be able to keep up with demand. You don't want to run out of stock," he says.

Corporate structure was also vital for Ms Filer when setting up b.box's own distribution channels in the U.S.

"We didn't want to be paying double taxes in the US and in Australia," she says, and her accountant played a pivotal advisory role.

"It was really important that we set up that structure correctly so that we only have to pay tax once."

Cash flow is another key import/export area in which accountants play a crucial role.

Mr Linane explains that there is a fundamental problem when receiving a container of imported safety glasses: "You haven't even seen it and you've got to pay the GST before they release the glasses," he says.

"What I did was contact my accountant and he put me onto a GST deferral. Now I pay it at the end of the quarter and I have two months cash flow come in."

To ease cash flow issues, Austrade recommends accountants look at its Export Market Development Grants and the Australian government's export finance agency Efic, to assist their clients financially in overseas expansion.

Evidently, accounting firms are well positioned to assist SMEs' navigating import and export trade.

Proving to be invaluable in bridging the gap between local businesses and international markets, overseas trade could be a rewarding niche area for accountants who are up for the challenge.

Igniting the 'IDEAS BOOM'

Innovation is central to a prosperous, modern economy. But what role – if any – should government play in fostering a more agile and entrepreneurial business environment?

by Aleks Vickovich

→

$1.1bn

The amount National Innovation and Science Agenda initiatives are worth over the next four years

Six weeks after being made prime minister in what the BBC labelled a dramatic "coup", Malcolm Turnbull faced the national press pack to unveil his vision to remake Australia's economy in the post-mining boom era.

"I'm here with my good friend and colleague, the Minister for Industry, Innovation and Science, Christopher Pyne, to usher in the ideas boom," he said.

The former barrister, Goldman Sachs MD and OzEmail CEO – who, with his wife Lucy, has had some success as an investor in early-stage ventures and start-up businesses – then proceeded to outline the government's new National Innovation and Science Agenda (NISA).

With a four-pronged approach centred on "culture and capital", "collaboration", "talent and skills" and "government as an exemplar", the agenda seeks to bring about a more innovative Australian economy and business culture through a raft of tax, spending and partnership measures to help entrepreneurs thrive.

The policy announcement was bolstered by a controversial $28 million innovation-themed advertising push and became a central plank of the Coalition's nail-biting but ultimately successful national election campaign.

Insofar as the NISA has forced the news media to pay attention to these issues and placed innovation on the agenda, it has been a positive development, says the IPA's Vicki Stylianou.

However, speaking to *Public Accountant* from the United States – following a speaking engagement at an International Council of Small Business forum in New York – Ms Stylianou warned that talk alone will not be enough.

"The IPA has consulted with the government on [NISA]. Two thirds of proposals impact members directly and apparently all are funded; we think this is a great start," she said.

"[The election focus on innovation] is helpful as long as it doesn't politicise the issue in the longer term. Innovation policy should be above politics and non-partisan."

Innovation adviser and respected financial services industry consultant Stewart Bell of Audere Coaching & Consulting had a similar take, albeit somewhat more blunt:

"Public policy is doing us the service of putting it on the agenda, even though it's not hard to be a little cynical about the political allure of the innovation spotlight," he tells *Public Accountant*.

While the politicisation of these issues should face reasonable scrutiny from the business community and the voting public, what is indisputable is the role innovation can play in driving positive economic outcomes.

Stephen Martin, a former federal Labor MP and now CEO of the non-partisan Committee for Economic Development of Australia (CEDA), outlined just how central it is in a speech to the International Summit of Business Think Tanks.

"It is a given that countries need to innovate to maintain and improve living standards in an increasingly competitive global economy," he said.

Given the priority Mr Turnbull has placed on innovation policy, and the swiftness with which he has sought to associate this agenda with his leadership, you could be forgiven for thinking that government intervention on this topic was a recent development.

But federal governments of both stripes have launched countless initiatives to generate a more entrepreneur-friendly environment over the years – or at least have waxed lyrical on this subject.

$250m

The amount government will co-invest with the private sector in a new Biomedical Translation Fund to commercialise medical research promising discoveries

Indeed, in 2008, the Labor government, then led by prime minister Kevin Rudd, launched a 10-year innovation agenda called 'Powering Ideas', identifying the need to "invest" more heavily in world-class research, education and international collaboration.

The federal opposition has also made clear that in this most recent election, it too supports greater government focus on innovation.

And yet arguably the Hills Hoist remains Australia's most innovative contribution to global commerce, while the Brain Drain of young Australian entrepreneurs and inventors to hubs like Silicon Valley, New York and Tel Aviv continues.

Moreover, according to CEDA, the proportion of joint industry and research patent filings – a generally-agreed-upon yardstick of innovativeness – has declined substantially over the past decade, as has venture capital investment in general.

And so the question remains: do politicians need to do more to engender the Australian ideas boom or are they, indeed, the obstacle itself?

> "It is a given that countries need to innovate to maintain and improve living standards in an increasingly competitive global economy"

Cutting and spending

Both the Turnbull government's NISA and similar initiatives by Australian and foreign governments have sought to accomplish their mission through a mixture of tax incentives and government spending.

On the one hand, for example, the NISA offers concessional tax treatments to "sophisticated investors", allowing them to "support innovative start-ups" and help solve the problem of access to equity finance, which is thought to be a considerable obstacle to

>$13m

The amount government will invest to support the greater participation of girls and women in a range of innovative areas

> "The best thing government can do to increase innovation is reduce the high taxes and regulations that are strangling Australian businesses"

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"It may be simply the challenges of our smaller population, or aspects of our cultural attitudes towards risk or even the good old tall poppy syndrome," Mr Bell suggests.

But it is not only prospective entrepreneurs that might be in need of a cultural shake-up; other stakeholders might be too. Mr Bell explains that regulators and venture capital investors could also loosen their somewhat "conservative" approach to innovation.

In this way, government support for innovation can play an important symbolic role, keeping it front of mind for the media and voters and ensuring it stays on the agenda.

Mr Niederer says the example of other countries proves government can play an effective role in shaping cultural attitudes that are conducive to innovation.

"The government can support an ecosystem that fosters innovation; examples are Israel and Singapore," he says.

"Start-ups thrive knowing there is a national infrastructure that supports them, but at the end of the day it is up to the company to innovate and grow."

Going it alone

Irrespective of the role played by the state in fostering innovation – and the debate over whether government-sponsored programs hurt or hinder the goal of a more innovative economy – there are steps individual entrepreneurs can take to help create a more innovative culture within the businesses under their remit.

Mr Bell advises that, chief of all, they stop looking for great ideas and start looking for problems.

"Uber wasn't created because a corporate entity decided to launch a new cab company," he says.

"It came about because some smart people noticed that people were sick of overpaying to ride in substandard cabs and waiting 40 minutes by the side of the road."

He also recommends "learning to say no and to eliminate" and realising that your business destiny lies in your own hands alone, not those of your licensee or parent company or manufacturer or any other third party.

The same, of course, could be said of the federal government.

The message, therefore, is that rather than wait for favourable policy environments and rely on helpful handouts, businesspeople who truly want to see a culture of innovation thrive within their organisations, and the wider economy, should take the advice of one of the sporting industry's most innovative brands and just do it.

Digital marketing

Improving YOUR ONLINE presence

Social media is changing the game and accountants must embrace the digital space to engage existing clients and win new business

by Michael Masterman

Competition is fierce among accountants. With so many talented practitioners offering great service, the most successful firms know they need to stand out from the crowd.

Whether it's keeping existing clients close or attracting new clients, social media is a useful tool that the wider profession is currently underutilising.

Why?

There are two main reasons why accountants should be on social media – to engage with existing clients and to win new business. While the thought of social media may fill many accountants with dread, it really is one of the most effective marketing platforms available.

It pays to pay

Many accountants are reluctant to pay for online advertising but George Photios from G Squared thinks this is a big mistake.

"Paid ads are something that is often neglected," he says.

"Facebook for instance has become a paid channel, LinkedIn is a very paid-leaning channel as well, so you need to run ads on those outlets both to build up audience and in promoting your content.

"Think about who your target market is and then use Facebook's interest-based targeting to serve ads to the right person.

"That paid element of social has become so important," Mr Photios says.

"It's become a paid outlet and that often scares people off, but it's still probably the cheapest paid outlet out there."

"It's about positioning your brand as a thought leader," says George Photios, a campaign director at digital marketing agency G Squared.

For existing clients, social media can be used effectively to keep an accountant in the mind of a client and to position yourself as a trusted adviser.

"Accountants have a lot of clients so social media provides a great opportunity to engage with them and remain top of mind," Mr Photios says.

"By giving tips and updates, for example, tax updates or live commentary on things like the budget, utilising social media to give real-time information to people about what's happening in the economy and other practical tips around minimising tax, they can really effectively reach clients."

Doing this allows accountants to raise awareness of their brand and the services they offer. This in turn can get small business owners visiting accountants' websites, following their updates and engaging with them.

However, merely posting content may not be enough. Many people now use social media as an alternative communication tool to the traditional phone or even email.

"These days, there is a much greater expectation out there for providers, accountants and others to actually have a good social media presence and to be responsive on social media platforms," says Peter Chaly, managing director of marketing agency Smartink.

"Sometimes clients won't pick up the phone, they might just connect on Twitter or some other channel and there is an expectation that you'll be there," he says.

While this may seem like an obvious part of modern customer service, Mr Chaly believes it isn't an area accountants have been necessarily good at.

"In the past, I think accountants, some of them, have been a little slow to adapt.

"In fact, I know of a number of clients who have [turned] to accountants who seem a bit more 'with it', who actually have a good social media presence and are active and engaging with their clients," Mr Chaly says.

That's part of it – keeping your existing client base happy and maintaining channels, other ways for them to communicate with you and for you to reach them. But putting your name or your firm's brand out there can also pay dividends by exposing you to potential new clients. In addition to providing existing clients information, posting updates and information on social media can attract new business.

Mr Chaly says there are boundless opportunities on social media for accountants to land new work.

"If you've got a good Twitter presence, you can be hashtag searching, you can be looking for words that are being used, people might be looking for help in a particular area, your area of expertise and you can connect with them," he says.

"I'd suggest offering them some advice or content that you've previously produced and help them out that way, and build a relationship and engage with them."

Where to start

The first step for an accountant wanting to boost their social media presence is probably the same as the first step of any marketing program – identifying a target market.

> "We always talk to accountants about working out exactly who their ideal customer is"
>
> – Peter Chaly

"We always talk to accountants about working out exactly who their ideal customer is," Mr Chaly says.

Spend some time working out who your ideal client is and look at what their greatest pain points are, he suggests.

"Is it the start-up business looking to get off the ground who will need all the help with getting up and running, or is it someone

who is a seasoned business owner who is perhaps dissatisfied with their current provider and maybe their current provider is slow to respond, slow to get work done or there's a bit of a disconnect between what the client wants and what they're getting, or [are your clients] the mums and dads?

"Work out who your ideal customer is or set of ideal customers are, look at where they are and how you can find them because social media provides awesome tools for finding these people."

Read this article online at pubacct.org.au

What to post

The golden rule when it comes to content is: make sure it's good.

Social media is such a fast medium that it can be tempting to disseminate quantity over quality but according to Mr Chaly, that's a huge mistake.

"The world has been turned on its head in terms of content, especially lately. There is just so much really good content out there," he says.

"Don't put out mediocre content; make sure it's really good, make sure that you are capturing those eyeballs. You want people to really value the content that you are giving them."

Mr Photios agrees, saying that the quality of content is what holds back many firms' social media success.

"Formulate a good content strategy, and not just regurgitating content and sharing *Sydney Morning Herald* articles or *AFR* articles," he says.

"Write something about what's actually going on, actually produce that sort of content yourself. That sort of content is an asset to the business."

How to convert

Any marketing professional will tell you that social media is now one of the most important marketing channels around.

But many business owners, from a range of industries, still aren't convinced. A common bugbear of these doubters is a belief that it's difficult to convert social media exposure into actual leads.

It's an issue Mr Chaly says he is frequently asked about, and admitting that converting from social media can be tough.

"You have got to earn it. These days especially, you do have to earn the opt-in a lot more than you used to," he says.

"In the old days, you could just throw a form up on your website, say 'opt in to our newsletter' and people would just put their emails in, but now you have to produce really good content just to stand out."

Mr Chaly offers some simple strategies that can turn exposure into leads.

"First of all, you can put a call to action within the content," he says. "Somewhere down the page, you could have a little banner that has appeal to the reader about that topic they are having problems with."

For example, if a firm is running a webinar on a subject related to a blog post, they need to put a banner about the webinar somewhere on the website. The banner can be a call to action to get people to register for the seminar.

"If they register, you've got their email address, you've their permission to get in touch with them," Mr Chaly says.

Obviously, this strategy is not foolproof. Given the number of content providers trying to reach out to small business owners, people are obviously not going to give their email address to just anyone who asks. And even if you have great content – which would likely increase the number of email addresses you collect, you are still not going to get everyone.

This, Mr Chaly says, is where technology comes in.

"Let's say they don't click on that banner and they don't call you or email you and they go away… a lot of people would think that's a lost opportunity – someone came but we didn't convert, we don't have any connection with them. Well, if you've got a little tracking pixel that you put on your website, the Facebook one for example, you can have that on there for up to 180 days, for six months more or less.

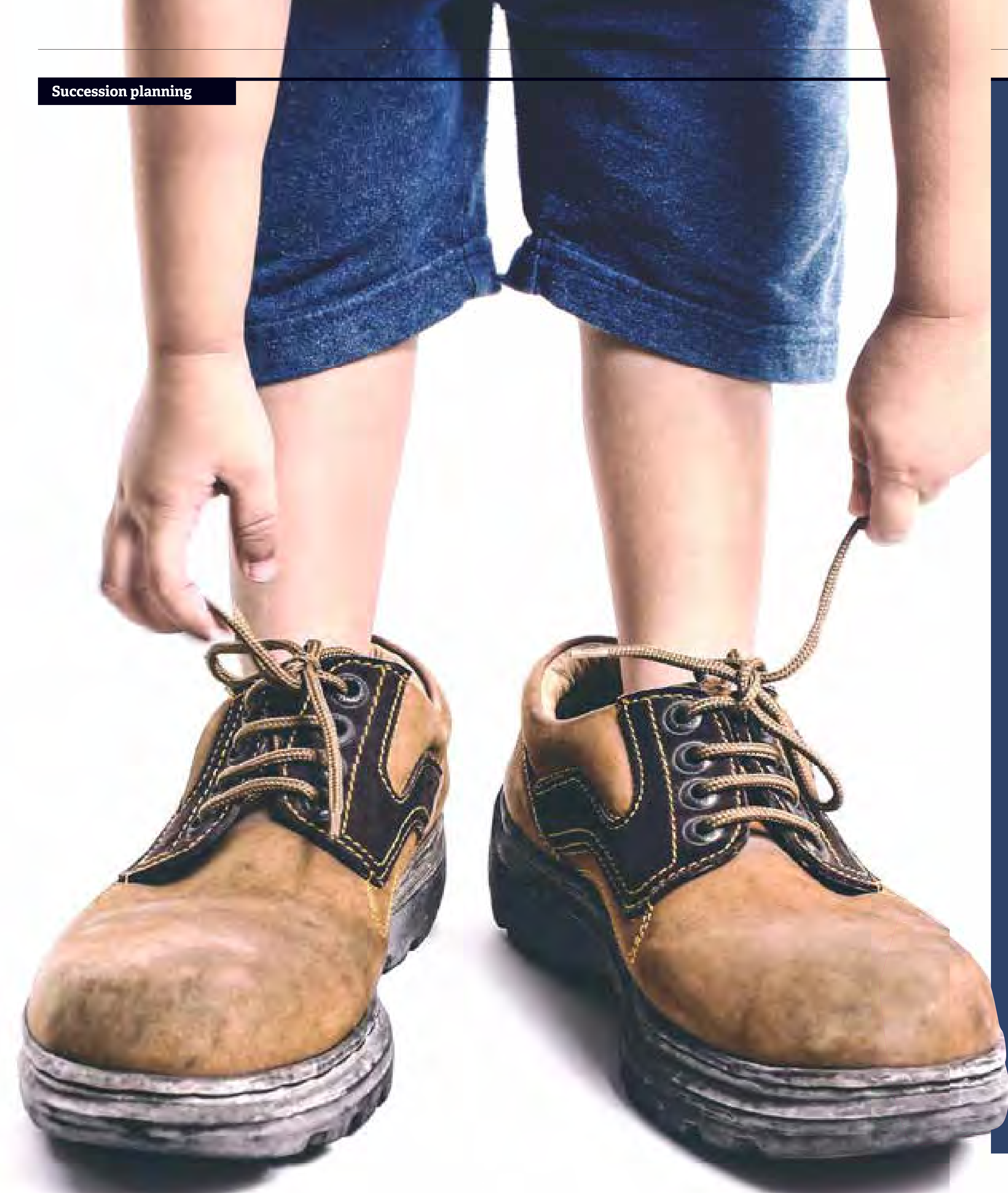
"The next time they're on Facebook, you can actually be serving up ads to the people who have visited your website. You can have another touchpoint with them."

Mr Chaly says there is a cost involved in this method but it can pay off. Converting on social media is about increasing touchpoints with potential clients and this type of tactic often reaps rewards.

"You have the first touchpoint, to get them to your website, the second was the website, third touchpoint could well be an ad on Facebook that is delivered only to people who have been to your website so they've already got an exposure to you," he explains.

Mr Chaly says repeated contact is key in any social media strategy as people need to develop a trust in you before they will consider changing their accountant.

"People typically won't churn on first contact. It takes a while for the penny to drop and for them to make the decision to shift," he says. "You can help that along by increasing the number of touchpoints that you have with them. That's one way of maintaining contact with them and maybe helping them cross that line."



Securing YOUR future

The bulk of Australian accounting firms don't have an adequate, or even any succession plan for their business. This has a direct impact on the value of a practice and the livelihood of its owner, so what's the best approach for SMEs?

by Adam Zuchetti

→

SMEs put plans in place to grow their customer bases; they plan agendas for meetings; they plan for the nasty effects of natural disasters, theft or other loss by way of insurance; they even plan out daily schedules to ensure they can prioritise and juggle tasks effectively.

So it is quite surprising that so many Australian business owners have no formal succession plan in place.

Mid-tier accounting firm RSM recently surveyed 2,000 NSW-based business owners, consultants and directors, and found 66 per cent of them didn't have a formal succession plan in place.

These numbers are likely to be replicated across the country, in many different types of businesses, according to RSM.

"Most business owners don't start or buy a business with the end in mind. But they should. Exiting the business is inevitable, regardless of whether business owners intend to run it until they retire, bequeath it to a family member when they die, sell it once it starts turning a profit, or any number of other options," says Patrick Flanagan, director of business services at RSM Australia.

The reason for this lack of planning is something of a mystery. Perhaps it is because no one is broaching the subject with business owners, and they themselves are more focused on the here and now of running their businesses than the nitty-gritty details of planning their eventual exit.

With this in mind, we thought it would be useful for SME owners and operators for us to get some insight into the question of succession planning – what it involves, the options that are available, why it is best done in advance, the mistakes of other business owners, and how to ensure you walk away with the best deal for yourself and those left behind within the company.

The big picture

A recent study conducted by the University of New England (UNE) found that having an effective exit plan in place is not only important to a business and its owners, but also to the overall economy.

Associate Professor Bernice Kotey of the UNE Business School says this is partly to do with the financial return on investment that such planning can deliver to owners exiting a business, as well as to the community that relies on the services of that business.

"The continuation of small businesses in regional Australia is especially important, as they contribute to sustaining regional and rural economics during downturns in the resources sector," she says.

"Regional location is a major barrier to successful business exit. Other barriers include competition from large retailers, online shopping, inadequate support from local council – such as unreliable forecast of economic conditions – crime rates and lack of access to medical and financial resources."

Having an adequate succession plan in place goes a long way towards ensuring the financial security of business owners, particularly if they are selling to retire, which in turn reduces the pressure on government to provide welfare support.

Succession planning also places the business as well as possible for continued operation, ensuring continuing employment for staff and suppliers.

And, as Ms Kotey points out, it has flow-on economic benefits through the employment of external partners, such as accountants, brokers and vendor finance providers.

Why should you plan?

The IPA has long been an advocate of SMEs getting their succession plans in order, regardless of the size of the business or the life stage of the business owners.

The consequences, including legal disputes and the associated costs, of failing to plan for business succession events can be significant, says the IPA. In some instances, these can cripple business activity and significantly reduce the wealth accumulated by the business owner through years of hard work.

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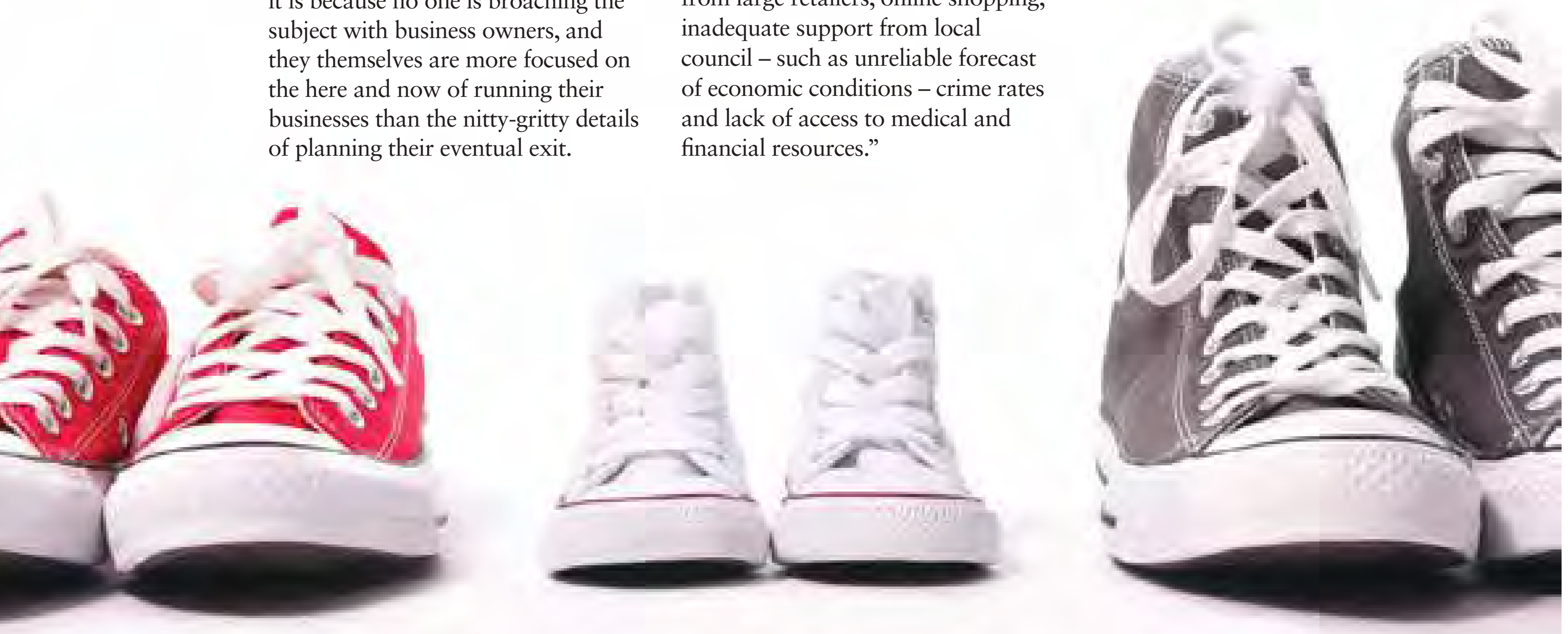

→ "Smart clients come to us early and say, 'I'm five years away but I'm thinking about exiting – what do I need to do? What do I need to worry about? How do I get ready?'" says Craig West, chief executive of succession planning experts Succession Plus.

"Others leave it too late, and it just becomes a problem," he adds.

"We say to people, 'You really need three to five years to get it right, to do it properly, to maximise the value, to make sure you get paid out, to make sure the funding works, to make sure the business survives' … and to do that properly you need time, you need to make sure the staff transition over, the clients transition over, and those things all take time. They are just never going to happen quickly."

Indeed, what becomes most apparent when business owners begin to examine their exit is the sheer scale of the task at hand – including the number of relevant stakeholders (everyone from co-directors and employees through to the ATO) and the level of documentation and preparation required at each step of the way. And then, of course, there is the process of maximising your business' value to ensure the best possible payout.

Exploring these issues too late can have potentially devastating effects.

"The first thing is, they generally have to delay their retirement or their timing has to change. We just have to say, 'You can't do it that quickly if you want to maximise value'," Mr West says.

"It's a little bit like going to a real estate agent today and saying you want to sell your house tomorrow – they will be able to sell it, but they won't get the price, they won't have all the right buyers there. It just hasn't been prepared properly."

Read this article online at pubacct.org.au

What are my options?

The good news is that you don't necessarily need to know which path you want to take before starting work on your plan. Regardless of the ideas you may be toying with, the first step is almost always the same.

"Most small business owners have no idea what their business is worth. So they come to us saying, 'I've got a business, I don't know if I can sell it, I don't even know what it's worth, I don't know how to value it' – and that is the starting point," says Mr West.

A sale is one of the most common ways in which to exit a company. However, according to Mr West, it can take many months or even years to attract a buyer, go through due diligence and negotiate the sale price and conditions.

Another traditional option is to pass the business on to your children. But this too often entails problems, such as the children being unwilling to take on the business or unable to afford to do so.

An increasing number of smaller firms are looking at alternative exit strategies – and often these are more about ensuring the business and its employees are protected than securing every possible dollar of value for the person selling out.

"We are doing … things like employee share plans and management buy-outs, where you can get some key staff [involved], and it solves two problems. One, the funding problem, because now you've got the ability to fund it through an employee share plan; but two, it also reduces the risk, and that big risk … about [the future of] key employees," says Mr West.

In some instances, he advises, it is not the business itself that is worth selling, but rather the assets it has accrued.

"Maybe they are better off to not worry about the business but sell the building, because that would make a lot of money, or sell some equipment off or sell some assets to a competitor," he says.

Getting it right

Of course, the option you choose will be highly personal – no one but you can make this decision. There are several considerations that may influence your choice, including:

- The actual value of the business and any assets it owns;
- If you have children, whether they have the interest and ability to take over the business;
- Whether you will require the equity in your business to retire;
- The age at which you plan to retire;
- Whether you want an immediate or a gradual exit from the business;
- How central you are to the business;
- The requirements of fellow directors/owners;
- The overall trajectory of your business (i.e. whether it is growing, shrinking or plateauing);
- Whether your superannuation has a direct interest in the business and/or its premises;
- What you plan to do once you exit the business; and
- Whether you want the business to continue trading after you exit.

Taxing times

Of course, there is nothing more certain in life than death and taxes, and the tax man will want their share of the proceeds of any change of ownership of a business.

"I've had people that forget or ignore the fact they owe the bank a couple of million bucks. They forget to take into account the tax, so the business may be worth $5 million, but what you're actually going to keep is probably $3 million because you've got to pay tax and there's transaction costs and there's stamp duty and there's all sorts of other things," says Mr West.

"That's where … that valuation is quite important, because you've got to understand exactly what we're talking about – how much [is the business worth]? What are you going to pay in tax? What's going to be left over?"

Therefore, it's important to keep your valuation in mind as what you have to work with, rather than the amount you will receive at the end of the process.

At its most basic, succession is about success. Plan ahead to ensure the blood, sweat and tears you have invested in your business – over years or even decades – deliver the success you deserve.

Ready to LAUNCH

For Luke Dawson, digital disruption and a shake-up of the compliance world present accountants with some of the biggest opportunities yet – if they're willing to embrace change

by Michelle La

It was a particularly exciting day to call Luke Dawson, IPA member and founder of new accounting firm Rocket Factory, for an interview.

I asked Mr Dawson why there was no information available on his latest venture, to which he replied: "Well, that's because it only started today!"

Rocket Factory – a new start-up for Mr Dawson, a tax accountant – is a digital accounting firm with ambitious plans to build a futuristic business focused on automated software.

> "I'm trying to build something where everyone has the same service level and it's one of three prices – that's it"

"Rocket Factory is my take on what an accountancy practice should be," Mr Dawson says.

"But it's a bit different to what everyone's talking about doing," he adds.

While the conversation could only paint an early vision of Rocket Factory, Mr Dawson's enthusiasm for innovation prompted a zealous discussion about the accountancy industry in an era of emerging technologies.

In Mr Dawson's view, there is ample opportunity to build better accounting firms in Australia.

"I think that a lot of accountants stick with what they know – they don't want to push the envelope from a business point of view," he says. "They're happy making the money they're making, the way they've always done it. They don't see reason to change.

"I'm more focused on where technology is going and trying to build something."

Mr Dawson has had an extensive career spanning more than a decade in tax and commerce accounting. Extending his expertise into the technology sector, he founded accountancy software Stryke Tax.

Prior to the launch of Rocket Factory, Mr Dawson was co-founder of a Perth-based accounting start-up, Resonate Business Consulting, which he started three years ago with two friends, who are also owners.

One of the partners recently bought him out of this venture and Mr Dawson took some of his preferred clients and started Rocket Factory "as the next step", he says.

Building a scalable digital accounting firm

Rocket Factory is a digital accounting firm targeting small businesses that might range from the $0 start-up stage up to $2 million in revenue.

Name: Luke Dawson
Company: Rocket Factory
IPA status: Member
Location: Albany, WA

What's most intriguing about Rocket Factory is Mr Dawson's ambitious vision to create a digitally branded accounting service.

"I've been playing around in the software space in the last couple of years," he says. "The things that matter to a software company are things like scalability and take-up by users. We have some different KPIs that you measure compared to an accountancy practice.

"So my take is that I want to build a practice that's scalable – that's not reliant on the relationship with the accountant and the client, but rather with the firm and the client," Mr Dawson explains.

Rocket Factory's model is a radical shift away from the traditional face-to-face relationship between accountants and clients.

Rather than varied individualised accounting, Mr Dawson's business model aims to streamline and automate necessary services tailored to the specific needs of small businesses.

"We're offering completely fixed-price fees based on revenue turnover for the client," he says.

"We think that's our niche [SMEs with between $0 and $2 million in annual revenue], where we think we can make a difference.

"Once businesses get bigger than that, they probably want that one-to-one advice, and we can let other accountants do that."

Based on his experience in both software and accounting, Mr Dawson says his theory is that specific advice isn't scalable, because it relates to a one-to-one relationship with someone.

"So if you want to grow fast, you need a lot of senior accountants and you're selling time for money," he says. "We're trying to build a business where it's scalable, where we're selling results for a fixed price. It's basically a product type service."

A key feature of Mr Dawson's business plan is the pursuit of the "right" client who would benefit from Rocket Factory's consistent service offering.

"At Resonate, we did a fixed-price model for all of our clients, but they were all different. I think that's where the problem lies – that everyone's got a different service level," he says.

"So I'm trying to build something where everyone has the same service level and it's one of three prices – that's it."

Drawing on his vast experience in taxation accounting, Mr Dawson has identified the common needs of small businesses that would fit Rocket Factory's one-size model.

"They don't [necessarily] want that one-to-one advice; small businesses can be price sensitive," he says. "We're trying to give them the things that they need and not try to upsell them into things that they don't.

"Because we're heavily focused on using technology to do the heavy lifting for us, it's easier to charge less and deliver a better service."

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Automating the compliance game

By leveraging client data using available software – such as Xero, Receipt Bank, Crunchboards and Mr Dawson's own Stryke Tax – Rocket Factory hopes to deliver a real-time business monitoring and efficient tax service.

"Business activity statements, instalment activity statements, fringe benefit tax returns, income tax returns, financial statement preparation – basically everything that's related or required from a tax compliance point of view – that's all offered," he says.

Mr Dawson sums up Rocket Factory as "a compliance-based business".

"Everyone keeps saying that compliance is dying and it's becoming price sensitive," he

says. "So what I'm trying to build is something that is making compliance price sensitive."

At a time when the industry is moving from compliance to reliance-based accounting tailored towards highly personalised and flexible services, Mr Dawson's vision seems to stand firmly against the current.

Rather than shifting away to a higher service business, Mr Dawson is instead enthusiastically driving the downward value of compliance accounting through Rocket Factory's scalable model.

"We have to stick to our guns and say that our business is the compliance and the scalable model. The stuff outside of that we'll give up that profit to maintain what our business is," he says.

"A lot of accountants don't like to do that – they try to be everything to everyone – and that's why you can't scale up an accountancy firm."

Rather than compromising his business model, Mr Dawson's solution to meeting the needs of those that sit outside Rocket Factory's offering is a reliable referral service.

"You can't be an expert in everything, but we can be an expert in tax. We might not be an expert in helping a specific business get out of a specific jam but we know someone that is," he says.

"We can work with that business and that person to help them fix their problem – and that's the way of the sharing economy."

Like website Airbnb, which gave consumers alternative accommodation options and so disrupted the hotel industry, Mr Dawson believes the distributed notions of the sharing economy could change the role of accountants to benefit small businesses.

"You can shop around, you can go to different places. If we can be that place that points people in the right direction then that's fine," Mr Dawson says.

"I'm happy to give up the revenue because they don't fit our model, but I want to help them find the right accountant for what they need," he says.

"Traditionally, accountants have always grabbed every client they could, without thinking if they fit their ideal client profile. We're building our business based on the clients that we want. That's who we're chasing; the ones that don't fit our model we don't take on," he says.

"But we'll help them find a different accountant based on what they need," he adds quickly.

Steadfast and focused, one couldn't help but feel excited about Mr Dawson's rebellion against the trends, to innovate upon what others are trying to avoid in the accounting industry.

> "I think that a lot of accountants stick with what they know – they don't want to push the envelope from a business point of view"

The right path

While Mr Dawson's current focus on small business aligns well with IPA's support for SMEs, his journey with the IPA began much earlier in his career.

"The path to becoming a full IPA member was a good fit for me because initially I did an Advanced Diploma of Accounting at TAFE, I didn't go to university," he says of his transition from study to practice.

"So I did that straight out of high school and then got a job as a tax accountant. The IPA made sense because they offered a different entry pathway to CPA or CA – that worked for me," he says.

After completing the IPA program, Mr Dawson went on to successfully achieve his Graduate Certificate, then his Masters of Commerce.

"Because I didn't do university to start with, the IPA had the best pathway for me. And probably the least pretentious as well," he says.

Recently, Mr Dawson attended the IPA's regional congress in Western Australia. "They asked me to speak there, which was interesting! That was good," he says, "it was good to meet the other practitioners that went."

The IPA's focus on practical experience and application offered more value to his membership. "I'd say they represent the accountant a lot better than the other two bodies," he says.

"The IPA is a bit more of a battler, like they'll go into battle for us a bit more than the others. I think we get more out of our fees that we pay each year."

Mr Dawson commended the IPA's advocacy concerning recent ATO legislation covering financial planners.

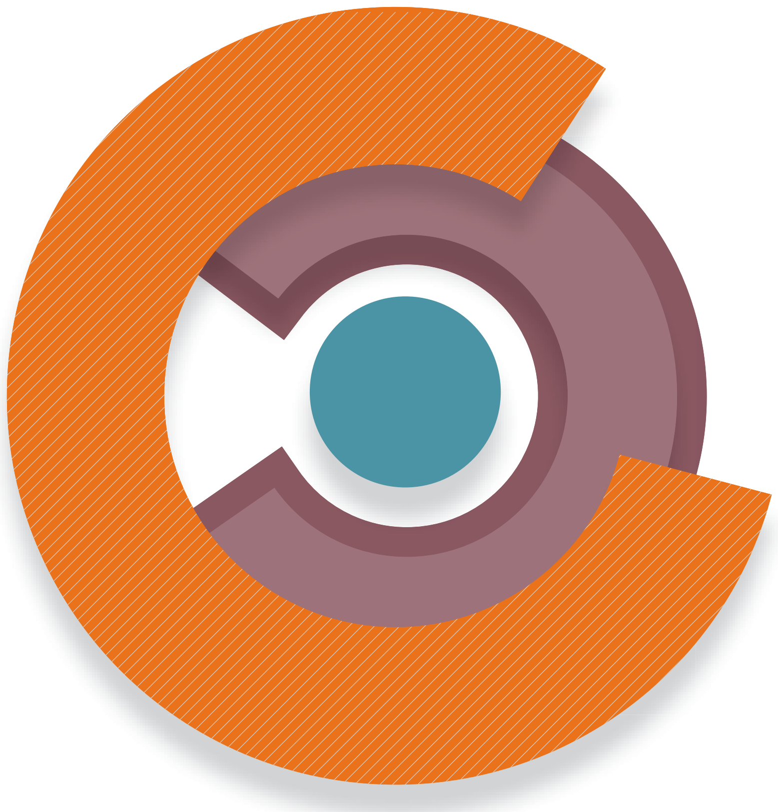
"The IPA was really vocal in that and they spent a lot of time trying to get that right," he says. "They really took the lead on some of those conversations."

He is positive about his experience as an IPA member: "They're trying to help accountants, and not just IPA members but accountants in general," he says.

As he prepares his start-up venture for take-off, the future looks bright for IPA member Luke Dawson. With his ambitious goals, Rocket Factory is an accounting firm to stay tuned into.

360 DEGREES

What are the benefits of being licensed to give financial advice?



Matthew Kidd

Matthew Kidd is group managing director with Omniwealth

Earn more, and no need to refer

Accountants don't need the same licence as 007 (that *could* get a bit messy) to get ahead of their competitors, but they do need to be licensed to give financial advice. The old school strategy of referring is dying, and clients are starting to demand their accountant and financial planner either be the same or at least be under the one roof.

Accountants must decide whether they want to be more of a complete adviser or stay the same and refer clients to an external source. But there's a problem with the latter.

With the cost pressures accountants are now under to do cheaper personal ITRs and SMSF returns versus the vast amount of services a good financial adviser can offer, the referral model simply doesn't add up.

Say an accountant gets referred a young professional couple by a financial planner (who they've been referring to for years) to do their PAYG ITRs, pretty basic stuff. The accountant does it for $900. In return, the financial planner (who has multiple disciplines) gets referred a similar couple from the accountant for financial planning advice.

Now, this is where the water muddies a bit, as the way financial planners charge clients can vary i.e. fee for service, retainer, 1 per cent of FUM, keeping/rebating insurance commissions etc. Clearly, the planner is going to earn significantly more from the referral than the accountant will from them. Furthermore, the value each of the referrals adds to each of the businesses is poles apart.

Just one referral can mean a referral partner is making more money off a client than the referee. Why? Because one is providing financial advice and one isn't.

Adam Goldstien

Adam Goldstien is director of Skeggs Goldstien

Adds value and builds trust

As the principal of an accounting and financial planning licensed practice, I can confidently say that accountants and financial planners are very different beings, not good or bad, better or worse – just different. Our best advisers combine the best of both professions.

Research by Macquarie Bank, *The new value equation, 2015/16*, concluded that 79 per cent of the most profitable practices believe success is driven by adding value to existing clients.

If your clients see you as their trusted adviser, why would you outsource that relationship to someone else?

With this framework in mind, I see the following benefits of licensing for accountants:

1. Proactive advice – recent surveys have indicated the number one reason clients leave their accountant is due to their reactive versus proactive advice;
2. Thoroughly understand our clients' advisory and taxation needs – taxation as a primary motive can often clash with other personal/financial objectives;
3. Reduce risk – tax advice can still be 'financial product' advice. What does and does not constitute financial product advice? How many times do clients ask "Should I" or "Is this the right thing to do"? Answering these questions requires a licence;
4. Planning gives our clients certainty in their future to live their lives today;
5. Our clients are seeking more holistic advice from their accountants; and finally
6. Greater share of wallet – more value-added services, greater profitability and more engaged clients.

Ian McKenzie

Ian McKenzie is the owner of IMK Accountants

Meets need for holistic advice

I have been an accountant – both commercial and now public practice – since the early 1980s.

Since then, we have seen financial deregulation implemented and reviewed, federal inquiry into the banking and financial services sector, one after the other.

After 35 years, my opinion is that the whole system – inclusive of accounting, tax and financial advice – is messy and complicated.

Nevertheless, accountants who don't get proper training and licensing in the areas of financial advice are not doing themselves or their clients any favours.

Why? Because your average client these days, quite simply, needs more than simple tax and accounting advice.

In fact, people in business should be getting holistic personal and business advice.

Any public accountant who has not undergone any proper training and licensing since Joe Hockey's FSR in 2002 is way behind the eight-ball.

I think some – if not many – accountants have chosen to outsource the areas of financial advice expertise or have authorised representative status under someone else's Australian Financial Services Licence.

Importantly though, if you're not going to become licensed and provide a holistic range of services in-house, it's imperative you outsource to partners you can trust, whether they be financial advisers and planners, SMSF auditors, SMSF specialists or risk advisers.

Wayne Leggett

Wayne Leggett is director of Paramount Financial Services Group

Increases credibility with clients

As much as we may hate to admit this, the reputation of financial advisers – be they accountants, finance brokers or financial planners – isn't exactly the envy of the other professions.

Little wonder that statistics suggest four out of five Australian adults do not engage the services of a financial adviser.

Given this low base of credibility and respect, any measures we can implement to improve our image in the eyes of a prospective client have to be worth the effort.

In this day of information at our fingertips, we can no longer assume that clients are prepared to take our *bona fides* at face value.

Being able to lay claim to being authorised by a holder of an Australian Financial Services Licence (AFSL) to advise on the subject at hand only serves to enhance your esteem in the eyes of the client.

More importantly, the requirements imposed upon you by the AFSL will ensure you are indeed qualified to advise on the product or service in question.

This gives you the peace of mind of being confident that you know your subject, as well as being of comfort to the client, knowing that your advice and expertise has the backing of an entity bearing the imprimatur of ASIC.

Whether you intend to be actively involved in implementing strategies of this nature or simply want to avoid falling foul of the regulator, this credential is invaluable.

Admittedly, the initial and ongoing obligations to continuing professional development are not insignificant. But, as professionals, we understand that these are simply the 'tickets to the game'.

Vicki Stylianou is general manager, advocacy and technical, with the Institute of Public Accountants

Looking offshore for domestic growth

A recent trip to the US reaffirmed a long-held IPA view: for the Australian economy to grow and prosper, it is vital that more SMEs and small businesses become exporters

by Vicki Stylianou

Evidence suggests that trade liberalisation has been the main engine of growth for the world economy. This includes increases in real income, increases in income per capita and increases in capital formation. Each country can benefit from an increase in demand for exports and rising real incomes and total imports in other countries, with the effects of growth spilling over to other countries.

There are also direct benefits for business, including increased sales and profit, spreading risk, using excess capacity, overcoming seasonal or cyclical demand, expanding skill sets and improving the ability to compete.

Tapping into the emerging and vast markets of the Asia-Pacific region is widely viewed as integral to the continued growth, not only of Australia but also of other Western nations.

The Institute of Public Accountants firmly believes that accountants, as the trusted business advisers to small businesses and small to medium-size enterprises (SMEs), should be taking advantage of this position to advise their businesses and clients of the opportunities to grow and prosper through international trade. With the signing of free trade agreements with three of our largest trading partners, these opportunities come into sharper focus.

One of the most significant trade agreements – which has been signed (but not yet passed into legislation) – is the Trans-Pacific Partnership (TPP). This agreement, which covers 12 countries including Australia and the US, is arguably the most ambitious trade agreement negotiated in the past several years. It covers more than 36 per cent of world GDP and 26 per cent of world trade. The IPA has members in 10 of the 12 TPP countries. It is the first trade agreement to include specific provisions to facilitate trade by small business and SMEs. However, there are major obstacles in the US, with Congress not yet convinced the TPP should be legislated.

Like countries and corporations, accounting bodies must also expand beyond the borders of a small, mature market, recognising that the accounting profession is becoming increasingly globalised. The IPA must assist members in realising the potential in trade and trade agreements by facilitating members to become trusted business advisers in trade, export and investment. As an organisation, the IPA must grow and be recognised on the world stage if it is to compete and gain recognition for the benefit of members.

To this end, the IPA engages in several activities that promote and facilitate liberalisation in accounting and other professional services.

The IPA participated in the annual conference of the International Council for Small Business, with the theme of the United Nations Sustainable Development Goals. The IPA Deakin University Australian Small Business White Paper was presented under the heading, Boosting Small Business Productivity. Trade, export and investment were common themes presented by people from more than 56 countries.

Another event is the annual 'door-knock' in Washington, DC undertaken by the Asia-Pacific Council of American Chambers of Commerce. The TPP was the priority topic on the agenda, with the main objective being to persuade congressmen of the need to pass the agreement. The door-knock also visited major US think tanks and held a roundtable with the Australian ambassador, Joe Hockey, and embassy advisers.

We heard a variety of views on how to persuade congressmen of the merits of the TPP, the world economic view, the rise of China (viewed through the lens of its activities in the South China Sea), the role of Australia on the world stage and the US-Australia relationship.

On the TPP, we were advised to really push the angle about what the TPP means for the position of the US in the region – that is, the geopolitical aspect is very important. We heard about the need for America to write the trade rules, but also to stress job creation – that is, high paying jobs and in the right places. Wage inequality has become a huge issue in the US, as it has elsewhere. The US will be left out because other countries are going ahead with trade agreements.

Trade agreements have become more critical since productivity growth in all developed countries is declining. In the US, it has gone from 2.4 per cent or 2.5 per cent to 1.2 per cent. Growing trade relative to GDP is a good way to grow productivity.

However, for some congressmen, the strategic considerations get trumped by local, employment arguments. The US would gain $127 billion per annum from the TPP while more than 100,000 employees per annum would be displaced – but with gains to the overall economy of about 10:1. Transition costs are painful but time is limited.

At the US Chamber of Commerce, we heard that Donald Trump hasn't said he is against trade; he has said he is against some trade agreements the way they have been negotiated. It was also pointed out that he has no tax policy, just some talking points and a speech.

Along with the US Chamber of Commerce, our delegation also engaged with the US Trade Representative Office for China, Japan, Korea, APEC, Southeast Asia and the Pacific. We were advised that the administration is working very hard to get the TPP passed and that it is fundamentally important to US interests in Asia. There was also a sense of urgency and that we can't wait a couple of years, while it is also unlikely any country would be prepared to renegotiate.

We also engaged with the departments of commerce, state and the Treasury and heard from a range of US congressmen. We then had individual meetings with congressmen and their advisers.

Apart from trade, tax was the other major area of discussion. Business tax reform might happen next year but is there political will – especially when many see themselves as losers in tax reform?

Questions around base erosion and profit shifting (BEPS) were raised, including concern about Australia's proposed Diverted Profits Tax.

Other themes addressed included that the next administration will be looking at ways to revitalise China. There is a willingness to be tougher but it needs to be well-informed toughness and there was also caution about precedent and the need not to make mistakes.

It comes back to the TPP and ensuring that the US is seen as reliable and credible since it was the US that initiated it and walking away from it would send the wrong signal. It is likely that if it gets through Congress, then it will be during the lame duck session – between the election and the presidential inauguration.

One interesting and possible emerging trend is protectionism: US candidates are giving protectionist speeches and of course we have now witnessed Brexit, with a desire to be sovereign and independent without falling into the hands of populists. So, there are huge headwinds with free trade and we really need to explain the benefits in a more convincing way. Strategic issues may help with some congressmen – TPP as part of a suite of things in the China strategy. There is a need to stress that job losses are not because of trade, they are because of productivity gains.

For the first time in 50 years, trade growth is slower than growth in global GDP. Trade has become a scapegoat, but there are other problems, like corporate tax, over-regulation, structural budget deficits and so on. Now that the Brexit vote and the Australian federal election are over, we will wait and see what happens with the US presidential vote and whether the TPP passes through Congress.

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ATO audit: too much oversight by scrutineers?

This was the issue the Treasurer asked the House of Representatives Tax Committee to investigate in its inquiry into whether the current level of oversight of the ATO is appropriate

by Tony Greco

Opinion

The Australian Taxation Office has stated publicly it believes it is under too much scrutiny, and this needs to be toned down as it diverts a lot of resources that could be better used elsewhere. The tax office cites issues of duplication and overlap, including cost to government. Unfortunately, the majority of respondents who have made submissions to the inquiry do not support this view.

The ATO is a key agency that interacts with all businesses, both small and large, and individual taxpayers. Given this important role, it is understandable there is more scrutiny of its functions when compared to other government agencies. A high level of scrutiny is appropriate to prevent lapses in performance which can have a widespread impact on the public.

Over the years, there have been examples of the ATO being dismissive of feedback, especially when it conflicted with an entrenched position. This is less likely to be the case today, given the cultural changes in the ATO of late, but considering the sheer size of the organisation, there still remain pockets that are slow to adapt. Therefore, external scrutiny is required to provide independent assessment that ATO services are performing as expected.

Australia's self-assessment tax system relies on high levels of voluntary compliance. This in turn requires taxpayers to have trust and confidence in the fairness and efficiency of the tax system. Taxpayers have certain expectations when they interact with the ATO. These expectations are formalised in the Taxpayers' Charter which sets out taxpayers' rights and obligations, as well as actions they may take if they are not satisfied.

> "The ATO has considerable power and resources, and it is therefore important that there are checks and balances for taxpayers to address this imbalance of authority in the ATO's favour"

The ATO has considerable power and resources, and it is therefore important that there are checks and balances for taxpayers to address this imbalance of authority in the ATO's favour. It is also important to balance taxpayer rights against the ATO's ability to discharge its administrative duties efficiently.

The overriding purpose behind the Taxpayers' Charter is to foster a relationship of mutual trust, respect and responsibility between taxpayers and the ATO. Its objective needs to be framed in a way that aims to reduce the cost of compliance, increase the quality and efficacy of willing compliance, and ensure all taxpayers are treated equally. External scrutiny to ensure the principles governing the charter are adhered to is essential to ensure taxpayers can trust the fairness of the tax system.

In the past few decades, the responsibilities placed on taxpayers have increased through more complex tax systems, anti-avoidance rules of even greater scope, increased disclosures, and an environment of tax legislation in which constant change seems to be the norm. More is expected of taxpayers today.

The Institute of Public Accountants is a member of the Asia-Oceania Tax Consultants' Association (AOTCA). The AOTCA has been working in collaboration with two other professional bodies of tax advisers, CFE and STEP, to develop a Model Taxpayer Charter. The IPA supports the 10 key rights and responsibilities of taxpayers and tax administrators embodied in the Model Taxpayer Charter.

The Inspector-General of Taxation is currently conducting a review into the Taxpayers' Charter. In its submission to this review, the IPA stated that despite taxpayer responsibilities increasing substantially, recognition of taxpayer rights has not kept pace and may have fallen behind.

The size and sophistication of ATO operations have grown in response to policy changes that have expanded the revenue base. The ATO is the second largest government agency and employs more than 20,000 staff.

The commissioner of taxation has a statutory independence to administer federal taxes. This independence means the commissioner makes the decisions about how to implement and apply the tax laws. The role of the commissioner is not overseen by a board of directors nor is there any meaningful day-to-day ministerial direction or control compared to other government agencies.

Treasury ministers are accountable to Parliament for the performance of the ATO, but they have no power to direct the commissioner's administration of the tax laws and have limited involvement in governance of the ATO. The independence of the ATO, along with its very significant powers and responsibilities, effectively require high levels of transparency and public accountability. Governance arrangements need to strike a balance between maintaining the independence of the commissioner and ensuring a fair and efficient tax system.

The commissioner is required by law to report annually to Parliament on the ATO's operations and appear before parliamentary committees to explain its administration. The complexity of the tax system makes it difficult for parliamentarians to examine the operations of the ATO effectively. Members of Parliament are not subject matter experts. It is for this reason that these parliamentary examinations of the ATO cannot be relied upon to fulfil an active role in the cycle of public accountability of the ATO, thus the need for several agencies to complement these parliamentary accountabilities.

One of the main agencies for scrutinising the commissioner's work is the Inspector-General of Taxation, an independent statutory agency. The Inspector-General of

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Taxation's role is to examine systemic tax administration issues that affect businesses or individuals. The office was established in 2003 to strengthen the advice given to the government about tax administration. It reports its recommendations for improving tax administration to the government. Many of the reviews undertaken have resulted in substantial improvements in tax administration. The ATO has implemented the majority of the recommendations put forward in these reviews. The Inspector-General of Taxation plays an important role in the independent oversight of the ATO. No other agency performs this scrutiny through the lens of a taxpayer and against a taxpayer charter.

The only other agency that conducts detailed reviews of ATO programs, policies, projects and activities is the Australian National Audit Office (ANAO) which undertakes performance audits. These two agencies communicate their proposed activities with each other to avoid any overlap in reviews.

The office of the Inspector-General has recently absorbed the tax investigation and complaints handling functions of the Commonwealth Ombudsman, improving its ability to identify systemic issues arising from individual taxpayer complaints. This provides taxpayers with a single, specialised scrutiny agency for the handling of both individual tax complaints and systemic tax reviews.

This has been a recent improvement in the oversight framework of the ATO. The Inspector-General of Taxation's future review work plans could cover systemic issues highlighted by trends in complaints, enabling the office to respond more quickly to emerging issues. The policy decision to transfer the Ombudsman's tax complaints handling function to the Inspector-General of Taxation has minimised duplication and created significant efficiencies.

In summary, the role of scrutiny is to provide independent assurance that ATO services are well managed and adhere to the Taxpayers' Charter.

The current level of scrutiny provides the mechanisms via which taxpayers gain trust and confidence in the fairness of the tax system, which in turn feeds into high levels of voluntary compliance. Without the current level of scrutiny, it would be difficult for Parliament to fulfil its role of ensuring accountability of the ATO to the Australian public.

We encourage the ATO to continue the professional way in which it deals with its scrutineers. The magnitude of the ATO's operations and the important role it plays amplifies the significant risk that needs to be appropriately managed through robust governance arrangements, including independent and effective external scrutineering.

Self-assessment and voluntary compliance is dependent on Australians having confidence in the tax system. Independent scrutineering is the most effective way to safeguard against large-scale systemic failures and irreparable loss of confidence in the system. The House of Representatives Tax Committee's inquiry into the external scrutiny of the ATO has now been finalised. The committee has agreed that no substantial changes in external scrutiny are required. It has, however, made some administrative recommendations to make it clearer how the scrutineers co-ordinate their work.

Fundamental Principles Taxpayers' Charter

As a taxpayer, you have the right to:	And the responsibility to:
1. Integrity and equality The tax system shall be designed and administered fairly, honestly and with integrity, according to the law, without bias or preference.	**1. Be truthful** Be truthful in all tax matters, including legally required disclosures.
2. Certainty The tax system will be designed and administered to provide, as far possible, certainty, clarity and finality in one's tax affairs.	**2. Provide information** Provide information on a timely basis as and when reasonably required.
3. Efficiency and effectiveness The tax system will be designed and administered fairly and cost-effectively, taking into account the attainment of its purposes.	**3. Be cooperative** Be cooperative in dealings with the tax administration, filing tax returns and information reporting, the conduct of an audit, and payment of taxes.
4. Appeal and the right to dispute resolution In cases of disputes as to tax liability, an independent, objective, speedy and cost-effective appeal process. Disputes as to actions of the tax authority will be followed up without fear of reprisal under independent oversight.	**4. Make payment** Pay tax on time without deduction or offset subject to the right to appeal.
5. Appropriate assistance Taxpayers who face difficulties in carrying out their responsibilities as taxpayers will be given appropriate assistance by the tax administration.	**5. Comply with the law** Comply with tax responsibilities and seek assistance if necessary.
6. Confidentiality and privacy A taxpayer's affairs and records will be kept confidential and private except in the case of public hearings in litigation or criminal prosecutions.	**6. Maintain records** Maintain accurate financial records and supporting information for such period as may be reasonably required.
7. Pay correct amount of tax A taxpayer is required to pay no more than the amount of tax based on tax laws.	**7. Take due care** Exercise an appropriate degree of care and diligence in taxation matters.
8. Representation A taxpayer may be represented by a person of the taxpayer's choosing.	**8. Retain responsibility for advisors** Be held accountable for the correctness and completeness of the information supplied to the tax administration, whether or not another person has been engaged to prepare, assemble and/or submit the information on your behalf.
9. Proportionality Enforcement action, including audits, collections, reassessment, penalties and prosecutions, will be proportionate to the circumstances.	**9. Show courtesy** Treat tax officers with courtesy and respect, noting that abuse of tax officers in performance of their duties is never acceptable.
10. Honesty In the absence of any evidence to the contrary, to be presumed honest.	**10. Comply cross-border** Ensure that all legitimate cross-border compliance requirements are met.

Technical

Our technical section keeps you abreast of the latest news and updates affecting the industry

Trusts and the new small business tax rollover

In the last issue, I outlined the important new small business tax rollover that commenced on 1 July 2016. Now, it's time to focus on the rollover and how it may be applied to trusts

by George Kolliou

George Kolliou is the principal of Kolliou Tax Pty Ltd. He can be contacted at George@kollioutax.com.au

For this article, the focus will be on the particular issues that relate to trusts and not all the requirements that must be satisfied to access the rollover.

Unlike most of the existing rollovers, the new small business tax rollover applies not only to companies but extends to trusts. Given that trusts have been, and continue to be, used for business structures and estate planning, the new small business tax rollover provides more options in restructuring clients' affairs that were previously not available.

Trust cloning

Legislative changes to the operation of CGT Events E1 and E2 effective from 31 October 2008 put an end to trust cloning. Trust cloning involved the creation of a second trust that was almost identical to the first trust. Structured correctly, a transfer of assets from the first (original) trust to the second (cloned) trust did not give rise to CGT consequences. Trust cloning remained viable after 2008 only if the CGT liability could be dealt with by using a concession such as small business CGT concessions.

Provided the beneficiaries of the original trust and the cloned trust are so similar that there is 'no practical change in the individuals who economically benefit', the rollover relief should be available under the new small business tax rollover. Arguably this condition will be satisfied if the cloning rules applying before 31 October 2008 are met. These rules are set out in the withdrawn TR 2006/4W. This ruling set out the ATO's view on the meaning of the words 'the beneficiaries and terms of both trusts are the same'. These requirements are, in my view, more onerous than the conditions that must be satisfied under the new small business rollover as the current test is no 'material change' in those who benefit in economic terms.

Care should be taken in 'cloning' a trust as there are trust law, and not just taxation, issues that must be considered. I recommend professional advice be obtained in drafting and settling the clone trust.

FTEs and the alternate ultimate economic ownership test

It is not always possible to satisfy the requirement that there is 'no practical change in the individuals who economically benefit'; or because of doubts about whether the test can be satisfied, the costs of obtaining advice may be prohibitive. In such cases, there is a 'safety net' for discretionary trusts that make a family trust election (FTE).

Despite the terms of the deed, FTEs effectively limit the range of beneficiaries who can receive a distribution from the trust by imposing the penal family trust distribution tax for distribution to beneficiaries outside the family group of the test individual nominated in the FTE.

This means that:

- transfers of asset(s) from one family trust (FTA) to another family trust (FTB) where both FTA and FTB have the same test individual on their FTE will not give rise to a change in the ultimate economic ownership of the asset(s);
- transfers of asset(s) to an entity from a family trust (FT) will not give rise to a change in the ultimate economic ownership of the asset(s) if the ultimate economic ownership of the transferred asset(s) is held by individuals who are in the family group of the test individual of FT just after the transfer; and
- transfers of asset(s) to a family trust (FT) from another entity will not give rise to a change in the ultimate economic ownership of the asset(s) if the ultimate economic ownership of the transferred asset(s) was held by individuals who are in the family group of FT just before the transfer.

> "These requirements are, in my view, more onerous than the conditions that must be satisfied under the new small business rollover as the current test is no 'material change' in those who benefit in economic terms"

Examples where the alternate ultimate economic ownership test will be satisfied:

- Family Trust A transfers CGT assets to Family Trust B and both Family Trust A and Family Trust B have Mr X as the test individual on their FTE.
- A Co Pty Ltd has 12 ordinary shares on issue. Six shares are owned by Mr X and six shares are owned by Mrs X. A Co Pty Ltd transfers CGT assets to Family Trust B. The test individual of the FTE made by Family Trust B is Mr X.
- Family Trust C has made a FTE with Mr Y as the test individual. The trustee of Family Trust C transfers CGT assets to a partnership between Mr Y and Mrs Y.

No doubt it is obvious that an understanding of the family group of family trusts is critical to access the new small business tax rollover.

The family group consists of the test individual and his/her spouse and their children, grandchildren, and lineal descendants. It also extends to the siblings of the test individual and his/her spouse and the children and lineal descendants of such siblings. The spouse of any individual noted above is also included in the family group.

The new small business rollover is a welcome tool for advisers in restricting small business clients using trusts. It fills a gap that existed for some time, but a word of warning: trusts are complicated entities and care must be taken so that unintended consequences do not arise from a restructure.

Technical | Superannuation

Structuring non-commutable reversionary pensions

Implementing non-commutable pensions requires careful thinking to avoid serious consequences and ensure all the legal and practical issues have been considered

by Rebecca James

Rebecca James is an experienced self-managed superannuation fund lawyer, with expertise in advising accountants, financial planners, trustees and financial institutions on superannuation and taxation law matters

This article considers some of the current issues associated with structuring non-commutable pensions that are automatically reversionary to the member's spouse on the member's death.

Case study

Eric and his wife Jaye are considering their superannuation and estate planning matters. Eric has queried whether his superannuation interests in the Wonderfalls Fund can be paid to Jaye, should he predecease her, as a non-commutable pension, while the balance is paid to his two children from a previous relationship.

Option A: Mutual wills agreement

Under this option, on Jaye's death, the balance of her superannuation death benefits, including the non-commutable pension, are paid to her LPR, being the executor of her will, pursuant to a valid and effective BDBN.

Jaye's superannuation death benefits are then distributed in accordance with a special provision in her will requiring that her superannuation death benefits are paid directly to Eric's children, or to a testamentary trust for the benefit of Eric's children. A key benefit of a testamentary trust is the added asset protection aspects of the arrangement. It also allows income splitting at adult tax rates for children.

Eric and Jaye may wish to try to 'lock in' this strategy by executing a mutual wills agreement that provides that under Jaye's will, the balance of the non-commutable pension will be paid to a testamentary trust established under her will for the benefit of Eric's children. However, if after Eric's death, Jaye elects to vary her will, any recourse is limited to instituting legal proceedings, which are likely to be costly and time-consuming. There are also no guarantees that such an action would be successful.

Further, any amount paid to Jaye's estate is at risk of a testator family maintenance claim, including her superannuation death benefits. Where it is likely that such a claim may be made, it is generally not advisable to direct superannuation benefits to be paid to the estate, to avoid increasing the amount potentially available to claimants.

Option B: Dual-fund structure

An alternative option is for Eric to establish another superannuation fund.

The existing fund can be used to pay a non-commutable pension to Jaye on Eric's death, while the new fund can be used to pay a benefit to his children directly or via Eric's LPR. BDBNs should be made in respect of each fund. Further, each fund should have a separate corporate trustee and the necessary steps should be implemented to ensure the control of each fund passes to the right beneficiary (such as appointing successor directors in respect of each corporate trustee). Eric's will should also address the transfer of the shares in the corporate trustee.

A key benefit of this strategy is the certainty that Eric's children and Jaye will each receive a proportion of Eric's superannuation death benefits.

It is crucial, however, to ensure that the balance of the non-commutable pension is sufficient to support Jaye (actuarial assistance may therefore be required). Ideally, the terms of the pension should be drafted with sufficient withdrawal restrictions to ensure that the pension amount permitted to be drawn down each year is limited to an amount required by Jaye to maintain her standard of living and exhaust the pension amount during her lifetime, but not dissipate the pension unnecessarily (subject to paying the statutory minimum each year).

On Jaye's death, the balance of the non-commutable pension will form part of her member benefits in the fund and will be dealt with as follows:

- where Jaye has made a valid and effective BDBN, her superannuation death benefits will be paid to one or more of her superannuation dependants, or her LPR (being the executor of her estate) in accordance with the terms of the BDBN; or
- if Jaye has not made a BDBN, her superannuation death benefits will be paid to one or more of her superannuation dependants, or her LPR, at the trustee's discretion.

Thus, unless Jaye directs the trustee to pay her superannuation death benefits to her LPR and has provided for this amount to be paid to Eric's children under her will, they will not be entitled to receive the balance of the superannuation death benefits.

When utilising this strategy, it is important to consider succession of the control of each fund, either if Eric dies or if he loses capacity. While Jaye would ideally take control of Fund A and Eric's children would take control of Fund B on Eric's death, if Eric loses capacity it would be preferable to grant an enduring power of attorney to a trusted independent third party and have that third party control each fund. Alternatively, granting a joint enduring power of attorney to Jaye and Eric's children may be an option, but could give rise to complications and disputes.

Option C: Other alternatives

The options set out above are not exhaustive. There are numerous other strategies that can be used to effectively achieve the desired outcome, subject to tax and other considerations. We recommend obtaining legal advice before implementing arrangements of this type.

Conclusion

As can be seen from the considerations set out above, paying a non-commutable pension requires a number of issues and challenges to be worked through to successfully structure and implement this strategy. In particular, the control of the fund on death or loss of capacity is a fundamental matter that must be addressed with any succession planning structure that is adopted.

Fintech and cyber security

Businesses can't afford to neglect online security, and the cyber security industry is mushrooming

by Boaz Fischer

Boaz Fischer is CEO of CommsNet Group P/L, an author and Certified Insider Threat Specialist with the Carnegie Mellon University

The National Fintech Cyber Security Summit, held in Sydney in May, featured leading figures from industry, government and research organisations. They took the opportunity to advocate security collaboration and innovation, with the aim of increasing security awareness and opportunities, and raising Australia's status as an information security powerhouse.

Two of the key questions addressed were:

- Why Australia may be primed to capitalise on cyber security start-ups
- Why collaboration is the future of cyber security

As a small business, these two issues may not interest you. They may not even be eye-popping headlines. But in the long term, these two issues could place Australia in a stronger position economically – by the country's being innovative and creative in developing new cyber security solutions.

Yes, we too want to join the boat and be a giant hub of crazy like-minded cyber security start-ups. The benefit of linking cyber security to our economy and every part of our business is enormous. In addition, we will also benefit from having a pool of brilliant people whom we can leverage to make our country safer.

The presentation started with Australia's Chief Scientist, Dr Alan Finkel, who addressed the potential opportunities:

- The global cyber security market sits at $71 billion annually, growing at 8 per cent
- Jobs for cyber security have grown by 57 per cent
- Several Australian organisations, including the Commonwealth Bank and Westpac, make the Global Top 100 companies list. Interestingly, these organisations demand cyber security. Where there is opportunity, there is potential for niche, innovative security start-ups to take advantage.

IT-Harvest's chief research analyst, Richard Stiennon, then made a key point:

"Where businesses focus on innovation by developing faster, cheaper and better products… hackers, on the other hand, continue to innovate because of the huge payout from stealing data in order to monetise it," Mr Stiennon said.

> "Hackers continue to innovate because of the huge payout from stealing data in order to monetise it"

As a result:

- Expect a ten-fold increase in spending for cyber security, estimated at $639 billion by 2023
- Threat intelligence is growing at 84 per cent CAGR
- The industry overall is growing at 24 per cent CAGR

Cyber security presents a huge opportunity. While there is a huge opening for the brightest creative cyber security minds, we as businesses have to be extremely mindful and vigilant about our shortcomings in the face of cyber threats. We too must invest to prevent our own business from becoming a front-page headline. We must also invest in our business' cyber defence, rather than spend in response to an incident.

Another interesting presentation came from Ron Moritz, founding partner of TrueBit Cyber Partners. Mr Moritz started out by saying, "We have become dumb. We can't seem to stop consuming security technologies."

He is right. We tend to think security is solved by a shiny new silver bullet of yet another security technology.

More security technologies means businesses require more security experts. And there aren't enough 'good' guys to go around. Here are some interesting statistics:

- According to Risk Analytics, 75 per cent of attacks spread from victim zero to victim one within 24 hours. Forty per cent of those spread within the first hour
- Confirmed data breaches were up 55 per cent between 2014 and 2015 (Verizon *Data Breach Investigations Report*)
- It takes 205 days on average to detect an incident, and another 120 days on average to remediate the exploit

Are we at a disadvantage or what? What is the answer? Well, according to Mr Moritz, we need to collaborate, exchange and share cyber experts. Right now, we just don't do it well.

I would also add that businesses need to start doing the basic cyber 'hygiene' well. Consider the Top 4 Mitigation Strategies of the Australian Signals Directorate (ASD). According to the ASD, at least 85 per cent of the targeted cyber intrusions it responds to could be prevented by following the top four mitigations.

The question you are probably asking is: what does this National Fintech Cyber Security Summit mean to me?

For starters, if you know of a business that aims to be creative and innovative, and is looking to leverage their cyber security opportunity, the National Fintech Cyber Security Summit could be a first step to a much bigger picture. Why not touch base with organisations such as Data61 (CSIRO) or Stone & Chalk.

Secondly, if you are a business, you must take security practice to another level. It doesn't necessarily mean huge investments in technology and experts. It's about implementing basic security practices in a consistent manner. Ransomware is becoming prominent as a major threat to all businesses. Why not ensure you have a proper back-up system in place, as well as a tested recovery system.

Finally, increasing our awareness is important. As businesses, we tend to keep our heads stuck in the weeds and rarely take time to look around.

Security protection is everyone's business. Your business viability is important to the whole economy.

Clear and present danger: accountants must become more relevant to their SME clients

A recent survey has found that an alarmingly small proportion of small to medium-sized enterprises (SMEs) use external professionals, such as accountants, in the course of making decisions that influence the performance of their business

by Michael Griffin

Michael Griffin, a partner with Worrells Brisbane & Northern Rivers, is a registered liquidator, official liquidator and registered trustee in bankruptcy. He is also a member of CAANZ and the Australian Restructuring Insolvency and Turnaround Association

The survey, *The Voice of Australian Business*, gave me pause to reflect on how much of an influence this attitude has on the insolvency administrations we see.

Clearly, as an insolvency practitioner, my view is that professional advice is invaluable and often makes the difference between the life or death of a business. While business owners have a responsibility to ensure they keep proper and current records, it is often the case that they alone do not possess the necessary skills to make critical business decisions without a professional adviser's input.

So, why do only 26 per cent of SMEs engage accountants, and where are the other 1.5 million SMEs in Australia getting their advice from?

In the survey, participants were asked who they turn to for advice and insight in running their businesses; the common denominator in their responses was "friends, family, and online media".

While it is natural enough for business owners to bounce ideas off family and friends, what qualifies someone as a family or friend does not necessarily mean they have better insight or business acumen than the business owner themselves.

Sure, if a family member or friend has relevant qualifications to give such advice, then there is nothing wrong with seeking their input. But if they have the appropriate and relevant business qualifications, then of course they are external professionals only if those are the terms – i.e. properly engaged and services paid for. Not at the BBQ on the weekend.

But if that family member or friend is unqualified, what the business owner risks – in addition to bad advice and its impact on the business – is the effect on the relationship between the business owner and those friends or family, which they have relied upon. In short, business owners should get professional advice from professional advisers, and not family and friends.

The survey also found that business owners rely on their own financial data in making business decisions over data provided by their accountants.

The obvious question is why? I have two possible answers.

The first is that the financial data available to the business owner, frequently through an internally maintained accounting package, is accessible in real time. Assuming that the information entered into the accounting package is accurate and current, it can provide the business owner with a reconciled cash at bank balance, information on stock, trade debtors, aged trade creditors and wages. As expected, the business owner feels they can make day-to-day decisions about the business with this information. But the business owner should be cautioned in making longer term business decisions based on this information alone.

In addition, as we see numerous times, many businesses stem from a small family business.

Repeatedly in these cases, family members, particularly a spouse, are involved in the business in a clerical function, such as performing the bookkeeping role.

That person is often responsible for handling all administration tasks, while the other spouse is generating the business income in their particular field of expertise. The problem is, in all too many instances, the spouse that is charged with those office responsibilities and the bookkeeping role, with all the best intentions, has little to no formal training on bookkeeping.

As a result, the risk is 'garbage in, garbage out'. I have seen instances where GST is not taken into consideration or incorrectly calculated, where superannuation has not been calculated properly and where wages have been underpaid. And then the relevant government authority completes an audit and the business is suddenly faced with tens or hundreds of thousands of dollars in claims for underpayments spanning over some years.

The second is that often the only financial data provided by the external accountant is historical in nature. Last year's profit and loss statement and balance sheet provide little guidance to the business owner to make day-to-day decisions in the present.

What the business owner and the accountant need to do is work together to ensure the business owner has the relevant information, on order, to not only make daily decisions, but also those longer term strategic decisions.

This comes down to cash flow and business plans. And it comes down to the accountant and the business owner working together to put in place a realistic plan – based on this information – to implement, monitor and adjust as they go forward.

From an insolvency practitioner perspective, we have seen some spectacular business failures where conceptually those businesses should have prospered out of sight and yet failed due to a deadly combination of ignorance and inept business records. In one landmark Worrells case, the company lost no less than $10 million in 12 months, and in an attempt to recover something for creditors, we spent 12 months reconstructing the accounting records.

Beyond the numbers, beyond the skill, beyond the technical knowledge and tools that accountants have in their trade, at the base of the profession is the proposition of adding value and insight to a business. This is achieved with accountants providing relevant and real-time analysis of cash flow and business performance to the business owners as part of monitoring an agreed and implemented business plan.

If 74 per cent of SME business owners continue not to get professional advice, I believe we will continue to see business failures due to decisions being made without the benefit of input from accountants.

Sure, these business owners may save on professional accounting fees, but the risk is these businesses may fail in circumstances where, had the business owner sought and followed their accountant's advice, the business may have survived and prospered.

Our advice to business owners is simple – get advice. And our wish is for accountants to work with us to help them, help their client not to become another statistic in a business survey.

Technical | **Management buy-outs**

Understanding management buy-outs

Succession planning is one of the biggest bugbears for small businesses, and accountants need to be able to help out

by Matthew Swan

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The prevalence of Baby Boomer business owners nearing retirement means that succession planning has been a hot discussion topic in recent years, especially considering that the value of a private SME is typically a substantial part of the owner's personal wealth.

While trade sales and initial public offerings are touted as the most common exit options, continued market uncertainty and the number of opportunities for acquirers mean that business owners are facing challenges in either realising appropriate values or finding suitors. Current market conditions, and in many cases the absence of family members to pass the baton to, make a management buy-out (MBO) a compelling option for business owners.

The management team is a key driver of a business, with much of the business' goodwill tied up in the relationships of owners and senior management with customers, or specialist know-how. The position of the management team means that they are often the most appropriate parties to acquire the business. From our experience, the following criteria must be met for a successful MBO:

- an experienced and well-balanced management team and a competent replacement leader;
- a commercially sound business, on a stand-alone basis, with a history of generating consistent positive cash flows, that is capable of supporting an appropriate funding structure for the MBO;
- a willing owner and management team, with realistic views regarding the value of the business; and
- sound growth prospects.

Advantages of an MBO transaction

An MBO provides the following advantages for business owners and management:

- **Confidentiality:** Where there are commercially sensitive issues, the vendor may not wish to allow competitors access to the business.
- **Speed:** The MBO can be a very quick process when all parties co-operate, also reducing distractions to the ongoing business operations.
- **Reduced costs:** Reduced due diligence requirements and the possibility of using common financiers means an MBO will be cheaper than other business sale transactions.
- **High probability of success:** When owners and management hold open and constructive discussions, MBOs have a greater chance of success compared with other sale strategies. All parties know each other, expectations are set early on, and management familiarity reduces uncertainty around business viability.
- **Flexibility:** MBOs can provide an opportunity to 'stage' a transaction, allowing existing owners to realise a liquidity event earlier, provide a gradual sale between owners, and provide management additional time to finance the purchase.
- **Continuity/vendor satisfaction:** Exiting owners often feel confident in the future of the business, and that customers and employees will continue to be looked after.
- **Opportunity:** An MBO provides management with an opportunity to grow their personal wealth and receive greater rewards for their risks and efforts.

Funding an MBO

Managers don't need large amounts of personal capital to invest in the business. Ideally, they should have an investment that is significant and that incentivises them to ensure investment objectives are met. There are three main MBO funding options:

- **Vendor funding:** Sourced from exiting owners directly, or from the company. There are a number of possible structures that can provide flexibility where existing owners want to pursue a staged exit.
- **Bank funding:** Depending on existing business debt, a large portion of buy-in value may be funded via bank debt, either to the company or management team, to acquire equity from existing owners.
- **Private equity:** Management partners with a private equity funder. Structures can vary, usually combining debt and equity funding, and are typically only used in larger business transactions (>$5 million EBITDA).

Obstacles

We have seen several common factors that prevent MBOs being completed, which include:

- **Valuation:** Incorrect valuation advice when initially evaluating the transaction, which creates a valuation gap between owners and management that is too great to bridge.
- **Funding:** An inability of management to secure necessary funding, or unwillingness to put some 'skin in the game', such as by re-mortgaging the house.
- **Delays:** Delays in agreeing the terms and implementing the MBO will usually result in management or owners getting cold feet or seeking alternate opportunities.
- Other issues that may be encountered subsequent to the implementation of a staged buy-in include:
  - Owners not being prepared to let go of management responsibilities or control, creating conflict between the parties; or
  - The underperformance of the business post-transaction, particularly in a staged transaction.

Clear communication and negotiation between owners and the management team to set expectations before agreeing to terms will usually be able to address the above. Appropriate agreements, frameworks and mechanisms can be implemented prior to the issues arising.

Key steps

A transaction plan and timetable are important to ensure the completion and success of the transaction. The key steps in an MBO transaction are outlined in the figure below:

Initial approach by the management team to owners (or vice versa)

Completion of an 'indicative' valuation of the business

Initial negotiations regarding value and transaction structure, including consideration of the tax consequences for both parties

A review (or preparation) of the business plan and financial modelling for provision to external funders

Preparation of agreements and settlement of the transaction

Conclusion

It is important for owners and management considering an MBO to start planning as soon as possible, particularly where a staged transaction process is preferred. Effective planning and communication are critical in the execution of the transaction. The key success factors are:

- a strong relationship between the MBO team and vendor;
- determining a fair market value for the business;
- determining the funding structure and capital/funding partners; and
- appointing experienced advisers to manage the process.

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Register of members

Ma Lili
Ma Nao
Ma Nao
Ma Quanbao
Ma Sai Lim
Ma Shuxiang
Ma Tao
Ma Xin
Ma Xinhai
Ma Yamei
Ma Yuan
Mai Jingyi
Mai Tianjun
Mai Yun Jie
Mao Hongjuan
Mao Jiamin
Mao Qun
Mao Shangwu
Mao Weicheng
Mao Xiao
Mao Yun
Mao Yuxia
Mei Yaozhong
Meng Chen
Meng Li
Meng Xiangzheng
Miao Lili
Miao Yonghua
Mo Tao
Newton Jonathan Kruger
Ng Iok Fong
Ng Man Kun
Ni Jie
Ni Jun
Ni Zhenrong
Nie Bingyu
Nie Shangdong
Nie Tieliang
Nie Xiangzheng
Ou Wenjie
Ou Xiang
Pan Haoquan
Pan Jianbin
Pan Jianjun
Pan Jianying
Pan Li Zhi
Pan Xiangyang
Pan Xiaoxia
Pan Xuelian
Pan Zhengsuo
Pang Jingtao
PANG Xinying
Peng Chao
Peng Xingzhen
Peng Yan
Pu Xiuling
Pun Ut Hong
Qi Fuhua
Qi Huili
Qi Xiaoyan
Qi Ya
Qi Yong
Qian Hegen
Qian Huan
Qian Jiahui
Qian Jiangxia
Qian Wenjun
Qian Xiao
Qian Xuefen
Qian Yajuan
Qian Youhua
Qian Yuefang
Qin Jie
Qin Kang Hua
Qin Qiaoling
Qin Shuqiang
Qin Wen
Qin Wenchun
Qin Xue
Qiu Yuming
Qu Fenghua
Qu Fenqin
Qu Xiaohong
Qu Xitong
Rao Ting
Ren Dongdong
Ren Xinzhou
Ren Yawei
Ruan Hong
Ruan Yuan
Rui Dongbao
Rui Hongjia
Sha Daolin
Sha Feng
Shan Xiangchao
Shang Liyun
Shao Beining
Shao Xunbing
Shao Zhiyong
She Yabei
Shen Dongmei
Shen Hao
Shen Jianjun
Shen Jianzhong
Shen Jinxia
Shen Kaijun
Shen Lingling
Shen Weigang
Shen Weimin
Shen Yaoyi
Shen Yeqian
Shen Yi
Shen Yinglan
Shen Zhimei
Sheng WenLei
Shi Chun Hua
Shi Jun
Shi Jun
Shi Kairong
Shi Liucheng
Shi Meijin
Shi Shuai
Shi Shuangzhou
Shi Yan
Shu Yu
Sin Shu
Situ Huiqiang
Song Bo
Song Changting
Song Chenggang
Song Guilin
Song Hua
Song Xiang
Song Zurong
Su Bing
Su Shiting
Su Ziran
Sun Ai Jing
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Sun Dongming
Sun Edi
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Vong Van Keong
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Wang Zhiyi
Wang Zi
Wei Haiping
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Wei Junsong
Wei ShaoJuan
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Wei Yukang
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WEN Qiu Rong
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Weng Xiao Mei
Wong Chi Kuan
Wong Chun Kit
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Wu Zhongying
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Yang Yuhong
Yang Yumei
Yang Zhanyong
Yang Zhendong
Yang Zhijun
Yang Zhongjian
Yao Hongqin
Yao Huigen
Yao Min
Yao Min Zhi
Yao Su'nan
Ye Aiwen
Ye Bao Yin
Ye Guohui
Ye Haiqiu
Ye Lei
Ye Min
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Zhao Shuang
Zhao Wenrui
Zhao Wenyan
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Zhao Xiaojiang
Zhao Xiaoqin
Zhao Xin
Zhao Yan
Zhao Yimin
Zheng Chaoliang
Zheng Daohong
Zheng Guang Yu
Zheng Jie
Zheng Jun An
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Zheng Xiao
Zheng Yunling
Zhi Qiang
Zhong Angang
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Zhou Tian Hong
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Zhou Xuming
Zhou Ying
Zhou Ying
Zhou Yinnan
Zhou Yuanqing
Zhou Zheng Wei
Zhou Zhenhua
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Zhu Hai Feng
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Zhu Heping
Zhu Hong
Zhu Jian Min
Zhu Jianshengv
Zhu Jimin
Zhu Jing
Zhu Limeng
Zhu Lizhen
Zhu Min
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Zhu Quan
Zhu Renhong
Zhu Shenghui
Zhu Wei
Zhu Weier
Zhu Xianqun
Zhu Xiao Rong
Zhu Xiaodong
Zhu Xiaomin
Zhu Xufeng
Zhu Yujie
Zhuang Chunming
Zhuang Cuiying
Zhuang Wei
Zhuang Weijun
Zhuang Yu
Zou Haiyan
Zou Hua
Zou Jing
Zou Lijun
Zou Wenjing
Zou Ying
Zuo Beiping

Deceased

The board of directors notes, with regret, the passing of the following members:

Donald Setchell, FIPA, *New South Wales*
Lynette Hale, MIPA, *New South Wales*
Paul Turner, MIPA, *New South Wales*

Business directory

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Disciplinary Tribunal findings

The following details the most recent findings of the IPA Board Disciplinary Tribunal. The board of directors would like to stress the importance of ethical behaviour for all IPA members.

IPA Disciplinary Tribunal findings
18 March 2016

Yu Seok Suh FIPA
The IPA Board Disciplinary Tribunal of 18 March 2016 determined that the following case presented against the member was proven:

a. Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws, in particular clause 9.1.9. The member holds an IPA certificate of public practice but failed to comply with the IPA's quality assurance requirements and undertake actions arising from the quality assurance review as requested;
b. Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws, in particular clause 7.1.6 which constitutes a breach of clause 98(2)(h) of the IPA Constitution. The member failed to comply with a reasonable request made by an officer of the Institute as the member failed to respond to correspondence from the investigations officer and provide information as requested;
c. Breached clause 98(2)(h) of the IPA Constitution as the member failed to comply with a reasonable request made by an officer of the IPA. The member failed to respond to correspondence from the investigations officer and provide information as requested; and
d. Breached clause 98(2)(f) of the IPA Constitution as the member has engaged in conduct which is not in the best interests of the IPA. The above constitutes conduct that is not in the best interests of the IPA.

The Tribunal further resolved that Mr Suh's membership of the IPA is suspended until the member has met the improvements specified in the Public Practice Quality Assurance Systems Improvement Notice and demonstrated current Continuing Professional Education compliance; and costs of $500.00 plus GST and a fine of $500.00 are imposed.

Details of two other cases presented at the Tribunal of 18 March 2016 can be found in the complete listing of Tribunal findings on the IPA website (http://www.publicaccountants.org.au/about-us/complaint-investigation-member-disciplinary-action/disciplinary-tribunal-decisions).