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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

Support behind THE SCENES

It's time to investigate and champion the role of accountants in the mental health of their SME clients

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WHAT'S NEXT FOR THE BUSINESS OF BOOKKEEPING IN AUSTRALIA?

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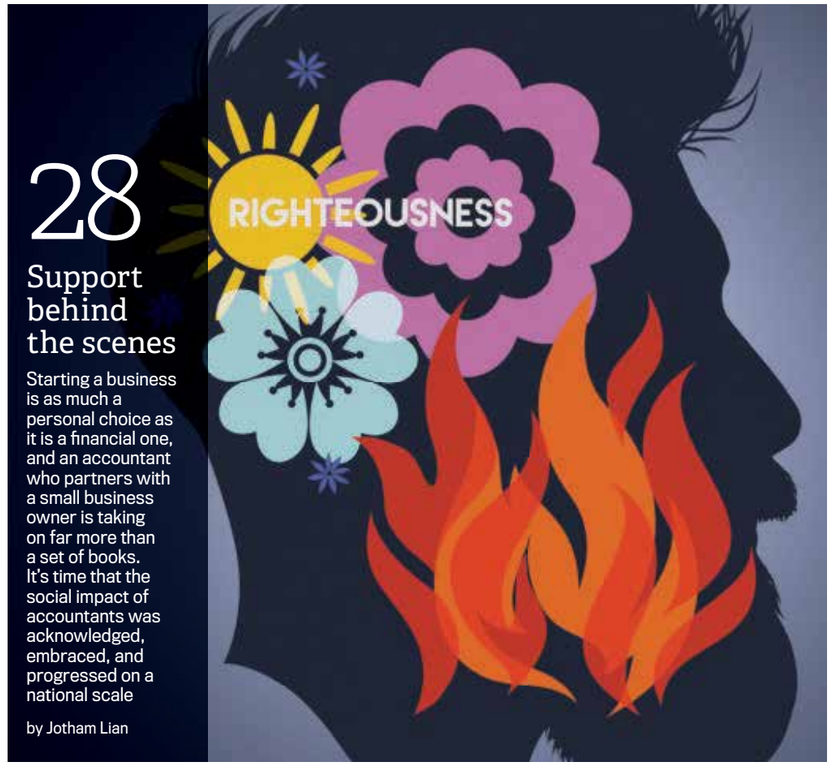

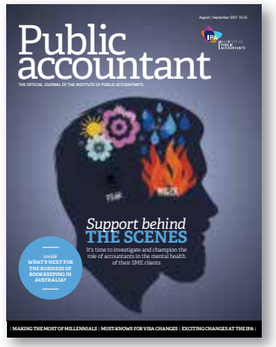

Mental health is, rightly, growing in prominence on the national agenda. We've known for years that accountants make a huge difference in alleviating the workload and the stresses of a small business owner, but in this edition we argue that the role of accountants in the mental health of their clients should be explored, progressed and championed further.

Also in this edition, we look at how a modern practice can look to attract and retain Millennial staff, and break through the generational barriers which dictate work ethic, cultural expectations and career progression.

We also take a look at the ever-growing, ever-changing profession of bookkeeping. Bookkeepers have more opportunities for scale, flexibility and new revenue streams than ever before - but it's the savvy operators that will reap the benefits.

Features

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Editorial board IPA
Wayne Debernardi
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Publisher
Alex Whitlock

Managing editor
Katarina Taurian

Journalists
Lara Bullock
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Production editors
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Keith Ford

Designers
Dan Berrell
Allisha Middleton-Sim
Jack Townsend

Production manager
Lyndsey Fall

Editorial enquiries
Katarina Taurian
(02) 9922 3300
katarina.taurian@momentummedia.com.au

Advertising enquiries
Terry Braithwaite
(02) 9922 3300
terry.braithwaite@momentummedia.com.au

Subscriptions
(03) 8665 3115

MOMENTUM MEDIA

Momentum Media
Level 13, 132 Arthur Street,
North Sydney, NSW, 2060

New education pathways – new business opportunities

The IPA has continued to innovate in its education pathway offerings for members at all levels. This includes the introduction of a fully-fledged MBA as the IPA professional program.

Our education partnership with Deakin University has seen this exciting development, replacing our program with the University of New England (UNE). While our partnership with UNE has been excellent, like all businesses, the IPA will at times reassess and reinvigorate its core offerings.

Deakin's MBA is one of Australia's premier business qualifications. It is internationally recognised, along with renowned 'EPAS' accreditation by the European Foundation for Management Development. It holds the highest five-star rating by the Graduate Management Association of Australia (GMAA) – a rigorous and independent assessment of business schools across Australia.

Members with either MIPA or FIPA designations can enrol directly into the MBA program which is now the highest academic qualification offered by any of the professional accounting bodies in Australia. Even more exciting is the fact that members undertaking the IPA-Deakin MBA can do so in half the time and at half the cost that an MBA program would normally represent. Only six units are required for the completion of the MBA as the university provides advanced standing/credit for the other six units based on your IPA membership.

The six units include Business Process Management, Strategy Capstone, People Management, Marketing Management, Principles of Leadership and a specially designed unit, IPA SME Advisory.

The IPA-Deakin MBA will enable members to diversify and grow their businesses through the ability to provide holistic business advisory services. Associate members also have options with a specially designed pathway program of six units, which once successfully completed will elevate the member to MIPA status. Following that, the member can also embark on the fast-track MBA program.

Another feature of the IPA-Deakin MBA program is the fact that it can be done online and at your own pace. Deakin's online MBA program was ranked among the top 25 in the world – and the best in Australia – by prestigious university rankings organisation QS.

If you originally studied through a TAFE or VET environment, but have always wanted a university accreditation, this would be a great opportunity to further enhance your skill set and gain recognition for the many years of practical experience you might have. I would highly recommend pursuing this opportunity as the IPA staff have worked hard to create a genuine higher learning pathway that all members can access.

Damien Moore FIPA FFA

IPA voice for small business extends abroad

The IPA has invested in considerable research and advocacy efforts to support the productivity, wellbeing and prosperity of the small business sector.

Of course, this has included the establishment of the IPA Deakin University SME Research Centre dedicated to the cause of small and medium businesses; and which saw the launch of the *Australian Small Business White Paper* in 2015.

With our aim to improve the quality of life of small business, there is still much work to be done. As we extend the voice and reputation of the IPA Group, aligned with our fervour for small business, we are looking at the other jurisdictions that the IPA Group operates in, including the Asian region and the UK.

Some 18 months ago, we were approached by Cropland Consulting in Shanghai to generate a policy platform. The result of the research in Shanghai has eventuated in a China version of the *Small Business White Paper* which we launched in June this year.

This is a great example of modifying a research model for broader application. However, to embark upon such a venture, you must start with gathering evidence. Too often, supporters of small business policy initiatives rely on personal experiences. These are important, but they must be backed by evidence to support the theory.

What we are achieving in Shanghai is the commencement of policy dialogue. We are realistic in knowing that not everything that is proposed will be successful, as is the case in Australia. However, what will endure is the fact that real evidence has been produced to support substantial policy proposals. I commend the research team through Cropland Consulting for the focus on technology and innovation. We must not fall into the trap of pushing against technology and change, rather we should embrace it.

The insights we have collated from members, key stakeholders and small business people will play a vital role in small business advocacy.

Accounting is a global profession and the IPA cannot grow without expanding internationally. This is reflected in our research work where we have expanded from an *Australian Small Business White Paper* to developing similar white papers for China and the UK, our two most important international markets.

Part of this effort involves undertaking a roadshow around the country to talk to small businesses and other stakeholders to gain further insights. This is a process we are undertaking throughout August and September which will culminate in the second rendition of the *Australian Small Business White Paper*.

In other news, we are currently finalising the range of additional benefits we will be able to offer members of our co-tenants, the Association of Accounting Technicians (AAT). By including new pathways for membership through education and the recognition of suitable experience, we believe these benefits will strengthen our longstanding relationship with the AAT, and provide significant new professional and personal opportunities for bookkeepers and BAS agents.

Andrew Conway FIPA FFA

IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as unfair contracts, mental health and crowdfunding

Budget and R&D

IPA's senior tax adviser, Tony Greco, said the government's promise to return the budget to surplus in 2021 would lead to a raft of "corner cutting" measures that would not cost them votes, leaving the R&D scheme open for tinkering.

– Accountants Daily

Unfair contracts

While the IPA was pleased with the passing of unfair contract legislation which has been in place since November last year, much work is required to enforce current practices which still see unfair clauses in contracts with small business.

– Andrew Conway, *Business Acumen*

Tax returns

Obviously, people lodge returns seconds after the clock ticks over to the 1st of July, so they've got to make sure all their systems are up and running because literally it's a matter of seconds before people start to lodge returns.

– Tony Greco, Accountants Daily

Crowdfunding trend

There are a lot of accountants who do entrepreneurial things. They come up with innovations and may very well want to look at something like crowdfunding as a way of sourcing funding.

– Vicki Stylianou, Accountants Daily

Cash flow

Healthy cash flow provides ongoing incentive to reinvest in their businesses, which extends the economic benefit of growth and the capacity to employ.

– Andrew Conway, *Business Acumen*

Tax breaks

The IPA's senior tax adviser, Tony Greco, told Accountants Daily there was an onus on accountants to relay important information about the tax break ($20,000 asset write-off) to their clients to help them gain the maximum benefits ahead of the end of financial year.

– Accountants Daily

Funding sources

The IPA is pleased to see that the government has recognised the need to provide an alternative source of funding for entrepreneurs and small to medium enterprises.

– Andrew Conway, Accountants Daily

Small business definition

The goal posts for definition of small business has moved from $2 million to $10 million, so there's quite a number of businesses that can now take advantage of a lot of concessions that they didn't previously have access to for this financial year.

– Tony Greco, Accountants Daily

Contracts under scrutiny

Our advice to any small business that is uncertain, or feels that a contract that they are entering contains unfair terms, is see your public accountant. Similarly, we are urging our members to speak to their small business clients and businesses to review all contracts, including those with banks and other lending institutions.

– Andrew Conway, *Business Acumen*

Trusted professionals

Entities with a turnover of up to $10 million are more likely to generate greater economic benefits as they are generally employing entities, compared to the 61 per cent of entities with a turnover below $2 million which do not employ staff.

– Andrew Conway, Public Accountant Hub

Tech crashes

We've already had quite a number of calls from members, not very happy; this is a continuation of not being able to do their work and we understand their frustration.

– Tony Greco, *The Canberra Times*

Mental health

I don't want to under-emphasise the stress caused by this. Mental health issues become a concern for our members and this eats away at them.

– Tony Greco, *SmartCompany*

ATO outages

Institute of Public Accountants spokesman Wayne Debernardi said while the ATO was striving to fix the problem, it should compensate the small businesses and accountants left "stressed" and inconvenienced by its technical failings.

– *Herald Sun*

Andrew Conway is the CEO of IPA

On the ground with the CEO

Chief executive Andrew Conway talks to Katarina Taurian about how the IPA's brand refresh positions members in the market and what he learned from the recent China delegation

Katarina: What does the IPA's brand refresh mean for members?

Andrew: The entire essence of the brand refresh is around ensuring that what we do is aligned to our external positioning. The way in which we do things – practical, relevant and responsive – is reflected in our brand. This is about making sure there's synergy between our external positioning and our member service mentality.

When you talk about the 'why' of the IPA, essentially, improving the quality of life of small business is why we exist. The essence of the brand is to ensure we are making small business count. That's in every aspect – whether it's our advocacy efforts, our research focus, whether it's the way in which we train and educate members to provide those services to their clients – everything is skewed towards the welfare and the quality of life of a small business.

I'm very excited by it. It represents the evolution of the IPA and the coming of age of the IPA as an organisation that is putting members first. At the end of the day, the work of professional bodies is never about the professional body or the people who work for it, it's always about the members. I think professional bodies that lose sight of that do so at their peril.

Also, the IPA program has also been revitalised and refreshed now. One of the units within the MBA is on SME advice, actually providing advice to SMEs is an MBA program now. Members of the IPA, MIPA or fellow level can enter the MBA and within six units achieve an MBA, one that's recognition of the IPA qualification and the standing of it. It's also a significant academic recognition of skill.

> "It represents the evolution of the IPA and the coming of age of the IPA as an organisation that is putting members first. At the end of the day, the work of professional bodies is never about the professional body or the people who work for it, it's always about the members"

> "A large part of what we try and do is leverage the relationships we've established over 10 years. Anyone who has done business in China will know it takes a long time to build relationships on the ground with the key players"

→

Katarina: You recently guided members on the China delegation. What did you take away from that experience?
Andrew: A total group of about 32 of us went across to China, with a view to broaden members' understanding of the Chinese market, but also show the opportunities that are available to Australian accountants in China. We did a week of a technical program, mixed in with cultural learning and understanding the way of doing business in China.

The learnings out of it were pretty phenomenal. The opportunities arising from the Chinese, Australia free trade agreement for one, but also perhaps more importantly, the progress related to the one belt, one road initiative.

I had some knowledge of it previously, but we hadn't seen a lot of commentary about it in Australia. The whole one belt, one road initiative is really the central pillar of president Xi Jinping's economic mandate, and it's about effectively rebuilding the Silk Road.

When we talk about one belt, one road, one belt is the physical land connection between China and Europe, and reconnecting it through a railway from Western China through to Western Russia, basically Moscow.

Then, also in connection with that, utilising or creating a maritime Silk Road effectively from the South China Sea right through and intersecting a range of ports that China has made investments in – through Vietnam, Sri Lanka, India, Pakistan, Kenya and up into Greece.

The whole idea is that basically China wants to connect itself with Europe. It will become a critical infrastructure project and also two critical trade routes.

Australia's only connection to it at this point has been China's purchase of the port of Darwin, which went through about 12 months ago. But we, Australia, is sort of sitting back saying, "We will just keep an eye on this".

In the meantime, China has got arrangements now, and has pretty well-advanced negotiations, with the 60 countries that are on the corridor of the belt and road.

When you think about the infrastructure alone, literally building a railway from China to Western Russia, it's just profound the impact this will have. We interacted with a range of experts on the delegation around what this means for the Chinese economy, and by extension, for its trading partners. And, critically, how can we be a part of this? One expert said to us China is going to need a fair bit of iron ore in the short to medium term to build this railway.

They're talking about infrastructure investments in excess of somewhere between four to eight trillion US dollars. It's just staggering scale. So my concern is that if Australia is sitting back keeping a watchful eye on this, we might well come off second best, so we've got to be there, at the table, actively involved in these negotiations.

Katarina: What were the lessons for members on the delegation?
Andrew: Many of them who went over had maybe just heard of the one belt, one road concept. But otherwise, it was a relatively new concept. So they emerged from it with a very detailed understanding of what the implications are.

You think about the consequences. Put yourself in the shoes of an accountant in Australia who wants to trade in China, and push goods and services to China. They will have the potential of providing those goods and services to China, which then unlocks more than 60 other markets in addition to China.

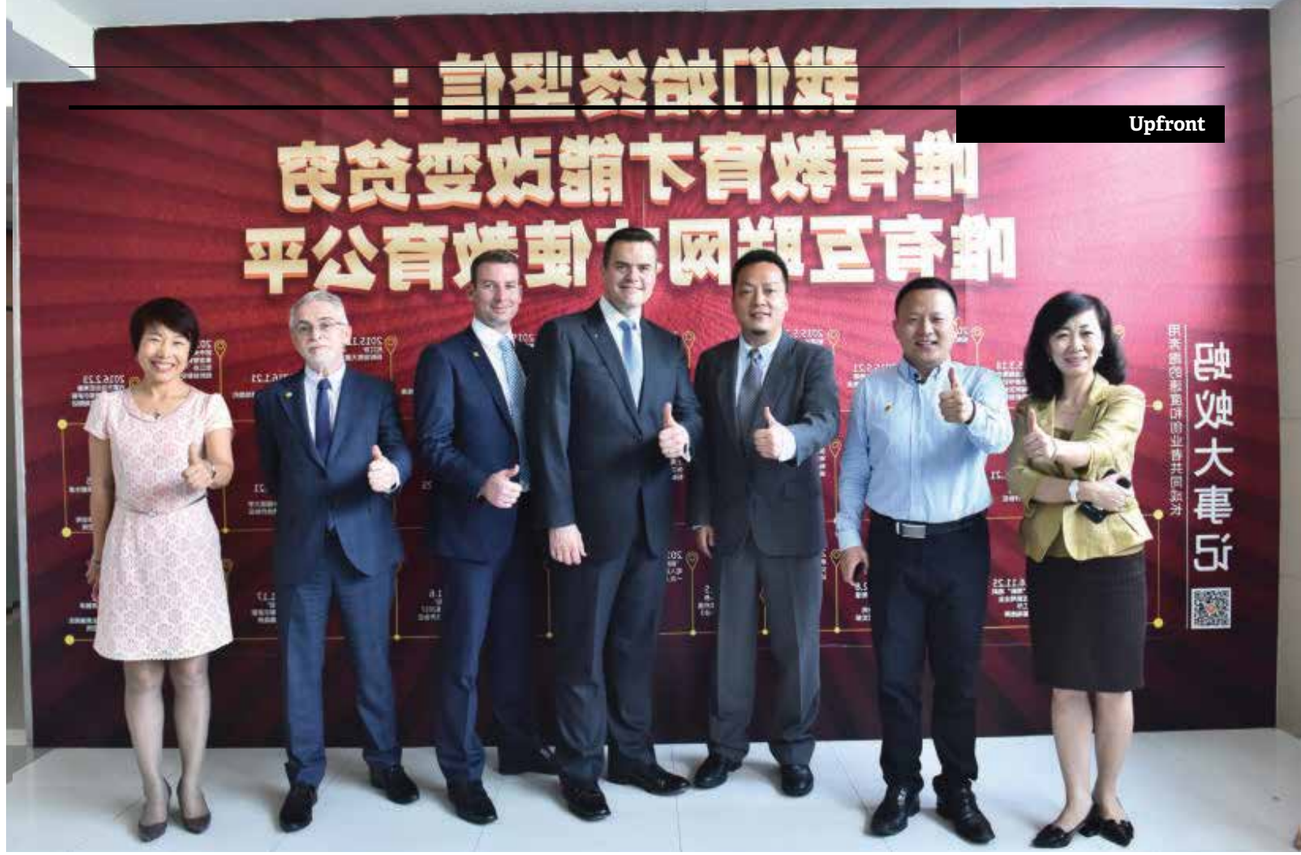
China effectively becomes the Costco of the region, where they'd become the wholesale retailer, pushing on those services into other markets. It's an immense opportunity to be involved.

Our members emerged from it, saying what a chance to start and build export readiness, to get your products and services ready to go. Then, when the maritime shipping route and the railways get connected and built, the world is your oyster.

A large part of what we try and do is leverage the relationships we've established over 10 years. Anyone who has done business in China will know it takes a long time to build relationships on the ground with the key players.

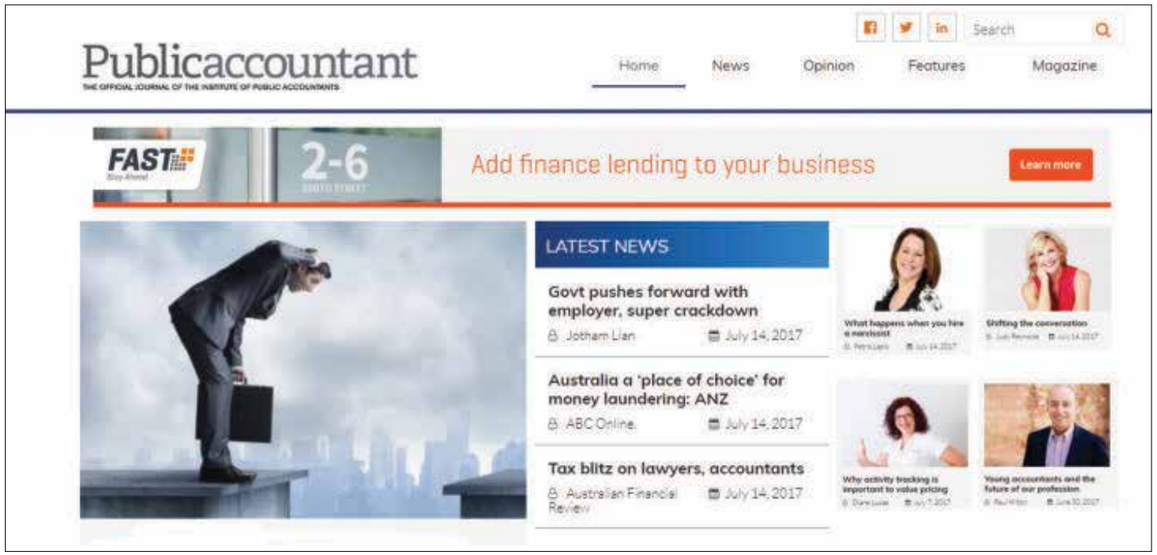
In China, five years is a long time. In five years, they've built something like 60 or 70 airports in China. They get on and they do things. There's more a sense of opening up and capacity.

For our members, they said they would've once considered China inaccessible just because of the complexity and size of it. But by leveraging off our relationships and piggybacking off the networks we've established, they've got inroads.



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



ATO sets sights on new 'tax gap' objectives

The Commissioner of Taxation has revealed tax gap estimates based on previous years' data, ahead of a proposed plan to publish estimates for corporate tax and income tax for the different market segments for the first time.

Acknowledging that no tax system will ever achieve zero gaps, commissioner Chris Jordan told the National Press Club that the gap in Australia was on par with global best practice, and the ATO was seeking to minimise gaps further.

Mr Jordan said that while the ATO had published gap estimates previously, it would release estimates for individual market segments in greater detail.

"Over the coming year, our intention is, for the first time, to publish estimates for corporate tax and income tax for the different market segments," he said.

"The first cab off the rank will be the large market corporate tax gap, which we will release formally next month."

Based on 2014-15 data, the estimated gap was approximately $2.5 billion, equivalent to about 6 per cent of the collections for that market and similar to the gap estimated for large corporates in the UK.

"Tax gaps exist in all countries and they are driven by economic, cultural and human factors, globalisation, complexity in business and legal systems, the quality of tax administration, clarity of tax law, the behaviour of those who take aggressive tax positions, and genuine misunderstandings and errors," Mr Jordan said.

ASIC consults with accountants over concerning trust use

ASIC has raised concerns over the use of trust or company structures by investors who are not 'sophisticated investors' to receive share offers without disclosure documents.

Under the *Corporations Act*, accountants are entitled to provide a certificate attesting that a person is a 'sophisticated investor' and does not need the protections that apply to a 'retail investor'.

ASIC has raised an issue with recent fundraisings, which have seen accountants use trust or company structures that purport to allow investors who are not sophisticated investors to receive offers to purchase shares without a prospectus or other disclosure document.

The corporate regulator said it would continue to look into the use of these structures and is in talks with the appropriate accounting professional bodies about the issue.

ASIC said that the sophisticated investor test needs to be applied consistently to give retail investors safeguards when making appropriate investment decisions that the law explicitly provides for.

"Companies raising money by offering shares to retail investors must give the investors sufficient information by providing a prospectus or other regulated disclosure document," the corporate regulator said.

"This helps investors in making a decision whether to invest in the company and is a key protection for retail investors under the *Corporations Act*.

"ASIC is aware of some instances where accountants have facilitated retail investors acquiring shares offered by a company without adequate, or any, disclosure."

One-stop shop ombudsman tipped as a win for industry, consumers

The current dispute resolution schemes have failed victims of financial wrongdoing because of a legal "black hole" when providers become insolvent, says a law firm.

In Maurice Blackburn's latest submission to the Ramsay review, the firm pointed to the poor regulation of adequate professional indemnity insurance for financial service providers, which often resulted in consumers unable to take action against a financial adviser who has become insolvent.

"When a financial service provider becomes insolvent, they cease to remain a member of the relevant external dispute resolution scheme, denying those consumers affected access to an important mechanism for recovering their losses," Maurice Blackburn principal Josh Mennen said.

"That means that for many people whose life savings were wiped out in the global financial crisis due to negligent financial advice, their options to seek compensation are limited.

"This legal 'black hole' is exacerbated by the lack of regulatory monitoring to ensure that financial service providers have adequate professional indemnity insurance in place. That's why we have called for greater regulatory oversight from ASIC and proper accountability for professional indemnity insurers who have been let off the hook in many instances."

Mr Mennen is supportive of the government's proposal to create the Australian Financial Complaints Authority (AFCA), a one-stop shop ombudsman that will merge the three existing external dispute resolution schemes – the Financial Ombudsman Service, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal.

"Consumers must also be able to take action directly against a negligent party's professional indemnity insurer through the external dispute resolution schemes, and this is something we hope can be undertaken once the new AFCA is established in 2018," Mr Mennen said.

Accountant sentenced to 8 years' jail for tax fraud

A Perth-based accountant has been sentenced to eight years' imprisonment for dishonestly obtaining a financial advantage of $2 million through fraudulent tax returns, according to the ATO.

Peter Stamatopolous pleaded guilty in the Perth District Court to lodging fraudulent tax returns on behalf of family members and clients without their consent or knowledge, the tax office said in a statement.

Judge Michael Bowden handed down a reparation order to the Commonwealth in the amount of $884,664.97, and described the case as systematic fraud that persisted for years. He said Stamatopolous was motivated by the desire to be seen as successful.

Between 2011 and 2015, Stamatopolous abused his position as a director of an accounting firm by amending company, trust and individual income tax returns to claim non-existent imputation credits.

The fraudulently obtained refunds were subsequently transferred to several accounts he controlled, which he then used to fund his mortgage, lifestyle and the purchase of shares.

Stamatopoulos' actions were discovered by his accounting firm, which reported him to the ATO and co-operated with the investigations, including the return of $211,000 to the tax office.

As part of the investigation, the ATO worked with the Australian Federal Police, which executed search warrants and recovered $815,000 via the *Proceeds of Crime Act*.

ATO deputy commissioner Will Day said the ATO will pursue and bring to justice those who commit any kind of tax fraud.

"When anyone claims more than they should, they are depriving the Australian community of vital funding. Fraud of this magnitude is very damaging to the Commonwealth and honest taxpayers," Mr Day said.

IPA voices support for unfair contracts warning

The IPA has backed the Australian Small Business and Family Enterprise Ombudsman's warning to the big four banks to comply with their obligations under the unfair contracts legislation.

Contract terms that may be found to be unfair include terms that allow one party to change the fees being paid or change terms and conditions without telling the other party; terms that allow one party to terminate the contract but not the other party; or terms that penalise one party for breaching or terminating the agreement but not the other party.

Contracts can relate to the supply or hire of goods, services or financial products.

"While the IPA was pleased with the passing of unfair contract legislation, which has been in place since November last year, much work is required to enforce current practices which still see unfair clauses in contracts with small business," IPA chief executive Andrew Conway said.

"We are urging our members to speak to their small business clients and businesses to review all contracts, including those with banks and other lending institutions.

"Quite often in these scenarios, one party has greater bargaining power than the other, and it is a case of 'take it or leave it', whether you are dealing with a bank or your local gym."

Graduates said to be ill-prepared for shifting accounting landscape

The gap between graduate accountants and the skill set they need to enter the industry is growing, according to Power Tynan chief executive Paul Hilton.

Mr Hilton says job prospects for accounting graduates are diminishing because basic compliance-type work is being taken over by automation.

"The job prospects for graduate accountants aren't really high because the business as usual model isn't there because their basic training ground is starting to be automated. So we, as employers, need to somehow find an education gap to get them fast-tracked to become a higher level advising accountant," he said.

"At the end of the day, analytics will do nearly everything. Standard business reporting is going to the ATO, they will do that. We won't be putting in numbers anymore, the analytics of it the computers will do that.

"We need to be able to look at the numbers and explain to our clients how to improve their businesses from those numbers, and part of that is managing people and how to improve and challenge our clients to be better managers and business owners and operators."

Mr Hilton said this shift to advisory work has pushed accountants away from their computer screens and to improve on their emotional intelligence to deal with the demands of clients today.

"Traditionally, the accounting profession were number driven, number crunchers so to speak. That's disappearing," he said.

"Unfortunately, the personality profile of accountants is that they are not traditionally a client-facing person, and we need to be retrained and the younger people need to be upskilled very quickly to be relevant."

However, Moore Stephens senior accountant James Fitzgerald believes graduates need to embed themselves in the basics first before aspiring to climb the accounting ladder.

"I think, as young accountants, we still need to do a lot of compliance work to build up our technical skills and our knowledge, but clients are wanting more. They don't just want tax returns and financial statements. They want real-time data, they want to know exactly what's going on with their company and they want some advice," Mr Fitzgerald said.

"You definitely still need to do the hard yards, to do the basic compliance and really build up your technical knowledge, obviously, before you can start advising clients and understanding their needs, you really need to understand the law and accounting principles."

Both men agreed that the best way to plug the gap is for employers and industry leaders to step up and provide training, or as Mr Hilton suggested, overhaul the university curriculum.

"The accounting profession is no different to any other profession. It will be disrupted," he said.

IPA concerned over ASIC role in CSF

The IPA has raised concerns over ASIC's ability to regulate crowd-sourced funding (CSF) set to take off in September.

The passing of CSF legislation will allow unlisted public companies with less than $25 million in annual turnover and assets to source and raise funds on crowdfunding sites to the tune of $5 million a year.

Investors can invest up to $10,000 in a company per year, with a five-day cooling off period as a measure of investor protection.

IPA's executive general manager – advocacy and technical, Vicki Stylianou, said while the bill was strongly welcomed by the institute, having ASIC oversee CSF would increase the workload of the already overtaxed regulatory body.

"We've always been concerned about ASIC's under-resourcing and under-funding, and this will be something else that ASIC will have to look after and they'll have to have the expertise, the resources and the time to do it," Ms Stylianou said.

"Because crowdfunding offers an opportunity for just basic mum and dad investors to get involved in start-ups and entrepreneurs, it will mean that ASIC is going to have to look after another bunch of consumers.

"Crowdfunding is not a usual standard kind of investment so you can imagine in the beginning and for a while, some consumers are not going to quite know what they are doing and might make a wrong decision."

Ms Stylianou added that the bill would encourage innovation and entrepreneurial activity by helping small businesses overcome the biggest hurdle of funding.

The IPA has presented a submission to the government to extend CSF to proprietary companies, a structure used by most Australian businesses.

Aussie chief execs rank cyber security as top priority

One big four firm has found cyber security is a top investment priority for Australia's top chief executives, noting that firms of all sizes should be "awake" to the protections that are necessary on the ground.

KPMG's 2017 Global CEO Outlook study of over 1,200 leaders with a company turnover of more than $500 million revealed that 71 per cent of Australian head honchos were preparing to invest in cyber security, compared with 53 per cent of chief executives globally.

Eighty per cent of Australian CEOs had made high investments in cyber security over the past 12 months compared with 66 per cent globally, with a majority agreeing that mitigating cyber risk was an integral part of their leadership role.

KPMG's cyber security partner Gordon Archibald said cyber crime was due to become a US$2.1 trillion problem by 2019, with no industry safe from the risks.

"It's clear that Australian CEOs are awake to the threat represented by cyber attacks, and are investing in defences accordingly. They're more likely to admit they're not where they need to be, and recognise that work needs to be done," Mr Archibald said.

"In the current environment, following major high profile global and local attacks, this is a commendable approach."

The survey also showed that Australian chief executives felt least prepared in dealing with ransomware or distributed denial of service attacks, in contrast with handling business data theft, customer data theft and social media hacking.

Australian leaders were also more likely to see security as an opportunity to innovate in products and services than their global counterparts.

"There's definite recognition globally that investment and innovation in cyber security can encourage innovation across an organisation. But in Australia, even if cyber defences aren't seen as leading to direct ROI, the investment still needs to be justified," said Mr Archibald.

"The number one hurdle is finding qualified and experienced talent to both address the risks and grasp the opportunities, so it's important that industry, government and academia continue to work together to foster the Australian cyber security sector."

More tax liabilities to be recognised with new guidance

New guidance from the IFRS Interpretations Committee (IFRSIC), due to be released shortly, will result in more Australian companies recognising more tax liabilities with the ATO.

The Australian Accounting Standards Board (AASB) announced that directors are now required to continually assess the aggressiveness of tax positions taken and assume the ATO has full knowledge of all relevant facts, regardless of whether their companies have had or are likely to have a tax audit, or are likely to be issued an amended assessment.

If it is probable that the tax authority will not accept the company's treatment, a tax liability for the expected settlement amount must be recognised in the statement of financial position, with an associated tax expense.

If it is probable the tax authority will accept the treatment, directors still need to assess whether disclosure of a contingent liability is necessary.

While not effective until 1 January 2019, companies have been urged to reassess whether to record a tax liability in their 2017 reporting.

"The probability threshold is now being applied at an earlier point and could result in more tax liabilities being recognised. Previously, a tax liability was only recognised if the directors assessed it was probable that the entity would be required to pay additional tax," AASB chair Kris Peach said.

Member snapshot:
Rachita Bhatia

Who are you?

Rachita Bhatia, partner at Wilfrid Docker Accountants. With cricket running in my blood, I came to Australia from India in 2003 in hope of meeting Brett Lee one day. I did my MBA at University of Technology Sydney, as well as courses at Chartered Secretaries and The Tax Institute.

How did your accounting journey begin?

While I was pursuing my MBA, I worked at a restaurant in Manly. It was a challenge to find a job in accounting after I graduated as I was not yet a permanent resident. My then-employer asked his accountant if he was looking for someone to assist him and we discovered he was.

So I began my career in accounting in a small suburban practice at Balgowlah. I met my husband at work and when my employer decided to retire, we decided to purchase his practice.

What led you to the IPA?

My husband introduced me to the IPA. The IPA has a global presence and offers a plethora of resources to its members. What also attracted me to the IPA was its focus on the SME sector. Signing up was a seamless exercise and Analia Pavan was fantastic in the whole process.

When Debbie Savann came all the way to our office to deliver my membership certificate, I was pleasantly surprised. In this digital age, such a personalised gesture positively impacted me.

At the tax retreat in New Caledonia, I had the opportunity to meet some wonderful members, presenters and team members of the IPA. I was delighted to see how the IPA was focused on meeting the needs of its members.

What drew you to your field of speciality?

My love for storytelling. Narrating a story with numbers instead of words fascinated me. My accountancy lecturer once said that everything in business boils down to numbers and there is a tale attached to every single one of them.

Some parts of the story may have to be rewritten and that's a role I really enjoy. To be able to provide solutions and add value to my clients is a gratifying experience. Also, it gives me the opportunity to meet people from various walks of life with varied needs and challenges.

What are your plans for your firm?

We plan to have strategic alliances with professionals to provide a holistic solution to our clients. We have recently teamed up with Lifespan Financial Planning as our financial planning partners.

We also work closely with a panel of lawyers, mortgage brokers, bankers and real estate agents to cater to our clients' needs. As cliched as it sounds, we want our clients to view us as their trusted advisers, and that is not just for their accounting and taxation needs.

What advice can you give new accountants?

The real value in a business lies in building relationships. With technological advancements, compliance will eventually be taken care of by machines. However, technology is far away from critical analysis and abstract thinking, [and there] lies an opportunity to value add and invest in relationships.

> "I was delighted to see how the IPA was focused on meeting the needs of its members"

Ben Scull,
managing director – tax and accounting, Australia and New Zealand, Thomson Reuters

Transparency is key for Australian business ahead of new tax reforms

New tax regulations will require all Australian taxpayers to be responsive and transparent. The ATO is cracking down on a number of individual and corporate taxpayers, so it's essential to be up-to-date on the new requirements

by Ben Scull

Failing to meet tax requirements carries a range of penalties, and ignorance is no defence. Balancing the business imperative to reduce tax obligations with the legal requirements to pay the correct amount of tax can involve several grey areas.

It is, therefore, extremely important for all taxpayers to be aware of changing requirements in the new financial year.

Four key areas to be aware of:

1. Justified trust

The latest initiative in the government's transparency drive, 'justified trust' requires businesses to demonstrate to the ATO that they have the right systems in place to test significant transactions for tax risk. The program applies to the top 1,000 Australian companies and each one will need to take a tailored approach depending on variables such as size and industry.

While the Organisation for Economic Co-operation and Development acknowledges that most businesses pursuing aggressive international tax strategies aren't breaking the law, it also suggests they're not meeting community expectations about paying the appropriate amount of tax for the profits they earn.

Broadly speaking, each business will need to cover four key areas:

1. Understanding the business's tax and risk management framework;
2. Reviewing tax risks communicated to the market;
3. Understanding significant new transactions; and
4. Understanding why accounting and tax results may vary.

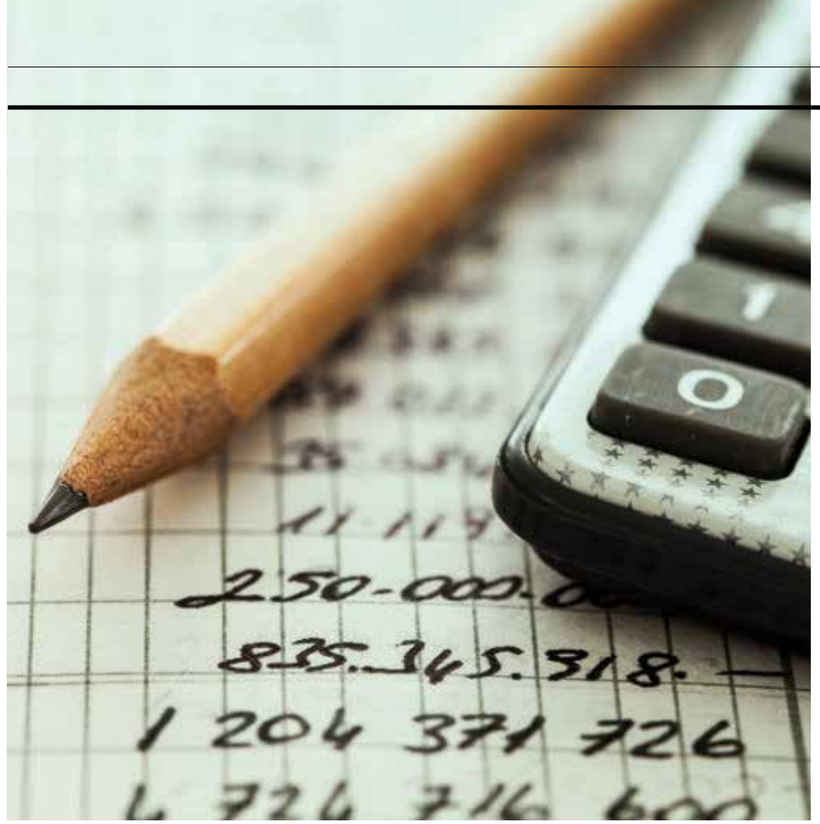
Previously, the ATO relied on companies to self-identify their main tax risks, but now companies will have to provide fact-based evidence to justify their tax position. That means they'll need to re-examine how they structure their finance and tax teams, and how they approach data and technology. Much more collaboration is required in a justified trust environment, so organisations must ensure their systems and culture can adapt to the new justified trust mindset.

Technology is the key enabler to let businesses achieve this. Many businesses are undertaking transformation projects to achieve justified trust. For example, corporations are moving away from using manual spreadsheets in favour of automated systems that reduce the risk of errors. Business needs to use the right tools and technology to embed tax across the organisation.

2. Fringe benefits tax (FBT) changes

Five important changes to be aware of:

1. Increased tax rates. The FBT rate rose from 47 to 49 per cent in the FBT years ending in 2016 and 2017. In 2018, the rate will drop back to 47 per cent;
2. Not-for-profit changes. There is now a $5,000 cap on top of the existing exemption caps for salary-packaged meal entertainment and entertainment facility leasing expenses for certain employees. The new caps require expenses to be reported in the FBT return for this year;
3. New standards. Employers must now use a specific reporting method when submitting tax returns. The 'concessional valuation rules' have been changed. For the current FBT year, employers can't use either the 50-50 split method or the 12-week register methods for valuing salary-packaged entertainment;
4. No tax for devices. Small businesses can now avoid incurring a tax liability if they provide employees with multiple portable electronic devices that have substantially similar functions. This is relevant to businesses that may need to provide employees with devices such as laptops, tablets, GPS navigation devices and mobile phones. Previously, small business employers were taxed if they provided two devices that had a significantly identical function, a problem because most modern smartphones can perform similar or identical functions to laptops and tablets. As long as the multiple devices are primarily used for work, businesses can claim them on FBT for the first time this year; and
5. Three-year reporting requirements. The period of an amendment return is three years, but the ATO can extend that period if it deems it necessary, particularly if it believes an entity is involved in fraud or tax evasion. This year, employers who receive employee contributions that offset FBT must be registered and begin lodging their FBT returns showing the employee returns. This means businesses need to ensure records are kept for an appropriate amount of time.



> "Previously, the ATO relied on companies to self-identify their main tax risks, but now companies will have to provide fact-based evidence to justify their tax position"

3. Crackdown on the cash economy

Australian business has a long history of accepting cash payments and failing to declare them as taxable income. There tends to be three types of participants in the so-called cash economy – businesses that did not understand the law, businesses and individuals wilfully dodging their tax obligations and people who use cash payments to hide income due to visa restrictions or to avoid losing out on Centrelink payments.

The cost to the Australian economy sits at around $15 billion in lost revenue, of which around $10 billion is lost to taxes, while a further $5 billion is money that should not have been paid out as welfare payments, according to the Australian Bureau of Statistics.

The government is, therefore, planning a significant crackdown on the cash economy, so taxpayers need to ensure they're aware of their obligations and report their income accordingly.

4. Closer examination of work-related deductions

Most Australian taxpayers know they can claim certain items as work-related tax deductions. However, many taxpayers are still trying to push the limits for claims they are not entitled to.

The ATO plans to review work-related deductions closely this year, especially as more people take advantage of flexible work arrangements. Taxpayers need to be very careful about claiming for things like home offices, electricity and internet usage and more. The ATO will use real-time data to compare each person's claim against others in the same profession and income bracket to identify higher than normal claims.

There are three key rules for claiming work-related expenses:

1. It must have been incurred by the employee and not reimbursed by the employer;
2. It must be directly related to the person's ability to earn money; and
3. It must be backed up by evidence including receipts.

Advocacy

The latest on the IPA's advocacy work

The IPA's latest submissions to government span disclosure, crowd-sourcing and the moves of the corporate regulator

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Exposure Draft *277 Reduced Disclosure for Tier 2 Entities*

While the IPA supports the board pursuing the concept of differential reporting, we are not convinced that Reduced Disclosure Regime (RDR) and the proposed amendments represents the most effective means of doing this. The IPA is of the opinion that the issue of differential reporting needs to be addressed not by initially creating "Tier 2" general purpose financial statements, but rather starting with the concept of public accountability. Also, the IPA considers the current definition of public accountability in AASB 1053 *Application of Tiers of Australian Accounting Standards* to not reflect a broad enough concept of public accountability. This narrow definition together with the abuse of the reporting entity concept and special purpose financial reports has, in the IPA's opinion, contributed to decreased trust in public and private entities and increased agency risk. We are of the view that the need to support good governance and transparency must be a consideration in the determination of public accountability. From a public accountability basis, the emphasis should not necessarily be simply on shareholders who have a direct economic exposure, but should also include other users such as: users or other consumers of a service e.g. members of an organisation; taxpayers where the entity has been granted licences by governments or are the beneficiaries of government contracts or concessions, and taxpayers in relation to bodies that can influence governments and parliament e.g. political parties, industry and union-related entities and lobby groups.

Post-implementation review of APES 230 *Financial Planning Services*

Since the IPA did not adopt APES 230 we are unable to comment directly on its implementation; however, we are guided by the experience of our members who are involved in financial services and by legislative and market developments in making our comments. The IPA issued Pronouncement 11 in place of APES 230 and we made comments based on our members' experiences in implementing Pronouncement 11, which is in many respects similar to APES 230. Having to provide clients with a Financial Services Guide (FSG), Statement of Advice (SOA), Record of Advice, Fee Disclosure Statement, and so on, has proved difficult for some members. In particular, the preparation of a SOA, has been problematic, not just in terms of having suitable templates and knowing when to use them, but also in terms of developing the most appropriate advice.

Both APES 230 and Pronouncement 11 apply the definition of 'best interests duty' contained in the *Corporations Act*. Both APES 230 and Pronouncement 11 apply APES 305 *Terms of Engagement*. The major difference between APES 230 and Pronouncement 11 relates to remuneration models/options. We acknowledge that APES 230 in its latest iteration is more flexible in this regard.

Changes to ASIC's evidence metrics under the Regulator Performance Framework (RPF)

In drafting this submission, we relied on the Productivity Commission 2013, *Regulator Engagement with Small Business*, Research Report, which remains relevant and insightful.

We are also guided in our comments by the government's intention in the "Cutting Red Tape" initiative that "you should see a reduction in the time, cost and effort it takes you to comply with these obligations". Whilst we appreciate that ASIC's KPI metrics are far broader than this intention, we believe it to be a useful guiding principle in assessing the appropriateness of the metrics and especially insofar as they apply to small business and SMEs. Overall, the IPA agrees with the proposals to group related KPIs together; rationalise the evidence metrics so that each metric is only listed once and is placed under the most relevant KPI; and amend those metrics which reflect specific ASIC processes which have since changed. We have no objections to the changes to the metrics, which in many cases involve a change in how the metrics are worded rather than a substantive change in meaning. Our general preference is to retain quantitative measures which we believe provide a more targeted metric and are useful on a day-to-day basis for staff to apply and strive to achieve. We made specific comments on ASIC's culture, which was also mentioned in the ASIC Capability Review and we acknowledge ASIC's 'Values and Behaviour' program with a 2016 diagnostic. The IPA totally agrees that organisational culture, individually and collectively, is a critical component for any well-functioning market. Other comments related to compliance and we noted that none of the KPIs directly relate to ASIC assisting regulated entities in or helping to facilitate compliance, though there is a measure of this in the metrics. The IPA believes that the "Cutting Red Tape" initiative should be refocused on "Making Compliance Easier" and especially for small business/SMEs. A 2016 survey by the International Federation of Accountants found that 43 per cent of SME clients rated compliance with regulation as a high challenge or very high challenge. The IPA's view is that technological solutions need to be embraced as much as possible in enabling compliance. The IPA has been a long-standing advocate of adequate resourcing for ASIC. For all of us, KPIs and metrics must always be subject to resourcing levels (human, financial, technological etc). This is why prioritisation is important. We assume that all of ASIC's metrics receive equal priority in terms of funding and resource allocation. However, if there is a more optimal mix or approach then this should be considered and communicated.

Exposure Draft 2017/2 *Improvements to IFRS 8 Operating Segments*

While the IPA recognises the need to revise IFRS 8 *Operating Segments*, the IPA is of the view the proposed amendments ignore the reality that the current iteration of IFRS 8 is fundamentally broken. IFRS 8 as currently constructed (including the proposed amendments) allows the circumvention of the core principle of the standard. We also consider that the core principle should contain a specific reference to 'risk'. The Post-Implementation Review has identified the inconsistency of segment information provided in accordance with IFRS 8 and other information provided by entities in annual reports, profit announcements and other similar information. This feedback is consistent with the IPA's own observations. The IPA believes this inconsistency arises because the basis used to identify segments is open to being "gamed" by management. The IPA believes the inconsistency in reporting segment information between the audited financial statements and segment information provided elsewhere cannot be solely attributed to regulatory requirements, but primarily driven by the demands of institutional investors and analysts for meaningful segment information which has not been provided by the audited financial statements.

Introduction – Crowd-Sourced Funding Legislation (existing and proposed)

After many years of discussion and debate, as well as several 'false' starts, Australia finally passed legislation allowing public companies to access crowd-sourced funding (CSF), effectively, as from September this year. Further to our submission to government in 2015, the IPA strongly supports the amendments to the *Corporations Act 2001* which will now allow eligible start-ups greater access to a relatively new form of finance which, in the words of one commentator, 'will democratise the funding of start-ups' (Blanding, 2013). Moreover, the IPA further supports the reduced compliance and disclosure provisions within the amendments relieving unlisted public companies from significant regulatory burdens over a five-year period. The passing of the new laws is a quantum leap forward for this form of funding and will position Australia alongside several other countries that have already adopted and embraced similar laws and financing regimes, such as for example, the USA, the UK, Canada, and New Zealand along with a host of other European countries. The IPA trusts that the new legislation will change the funding landscape not only for start-ups, but also for established companies that meet the eligibility criteria. To meet the eligibility criteria, a public company must earn less than $25 million in annual revenue and have less than $25 million in gross assets. Some of the other features of the changes which the IPA fully endorses will be of interest to our members and their clients.

For a full list of the IPA's submissions go to www.publicaccountants.org.au

Vicki Stylianou,
executive general manager – advocacy and technical, IPA

Improving dispute resolution in the financial system

The IPA will be keeping a close eye on the new external dispute resolution (EDR) system, for both consumers and members

by Vicki Stylianou

Putting the consumer first has been the cornerstone of most of the changes imposed on accountants, financial planners and the financial services industry over the last decade. Another tranche of changes seeks to ensure that consumers have access to an efficient and cost-effective dispute resolution system when things go wrong.

What are the changes?

After the May 2017 budget, Treasury released the external dispute resolution and complaints framework. Essentially, the new system will see the three existing external dispute resolution (EDR) agencies merge into one. These are the Financial Ombudsman Service (FOS), Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal.

The new single entity will be known as the Australian Financial Complaints Authority and will be a public company limited by guarantee, starting on 1 July 2018.

Why does it matter?

Members or other accountants who have entered or who operate in the world of financial advice will be familiar with the mandatory requirement to be a member of an EDR system. Apart from being mandatory, it is also critical that disputes with clients are resolved in a prompt and streamlined manner.

The EDR system also matters from a risk management perspective and overlays the systems, processes, policies and controls which accountants and advisers apply in their practices. If a complaint is made, there will be a review of these and an assessment made of their adequacy in the circumstances. In this regard, the EDR system plays a guidance and monitoring function.

What is the IPA's position?

While the IPA has supported the primary goal of establishing a single complaints resolution process that deals with client complaints – irrespective of whether the matter refers to loans or investment advice or superannuation issues – there are many in the industry who vehemently oppose the merger. The consultation which was undertaken reflected a huge amount of controversy on this issue.

One key reason behind our position to support the merger is to remove duplication which includes – governance arrangements that include separate boards to oversee and manage the organisations; back end systems for case management and administration, including the associated staff and information technology overhead costs; administrative and regulatory reporting obligations and arrangements; complications related to the collection of data regarding the operation of schemes and the conduct of members of the schemes; and duplication of all of the various functions that exist, including member services, stakeholder liaison and government relations.

ASIC has also noted the duplication for which it is involved, including monitoring two schemes, approval and oversight of changes to multiple schemes, as well as managing risks of regulatory arbitrage.

Another advantage is that it would be clear to consumers that there is only one place to lodge complaints relating to the conduct of people or organisations in the financial services sector. There is also clarity for those in the sector about the authority to which complaints are referred when their conduct towards consumers comes into question.

Treasury examined various overseas jurisdictions, each with its own different way of dealing with the resolution of external complaints. The United Kingdom has one body that deals with disputes and Singapore has only one approved scheme. There are, however, multiple schemes in New Zealand and Canada that appear to work in those jurisdictions, but the structure of those regimes appear complex and involved.

Why do others oppose the merger?

Many who oppose the merger believe that the reduced competition between agencies will increase costs, especially for small practices, which are significant and cannot be underestimated.

The cost of regulation and protecting consumers is increasingly being passed on to advisers and practices. It should be remembered that the financial adviser may end up paying thousands of dollars when a complaint is brought, but the service is free for clients. Some argue that the whole system, which is hugely in favour of clients, should be reconsidered and even rebalanced.

There is also likely to be a perception among some that larger institutions will be treated more sympathetically by the complaints process simply because of their market power.

Even though this can be partly addressed by having people on the board who represent a cross section of the industry, there is still widespread scepticism. It is critical that all stakeholder interests are balanced in the new regime.

The removal of competitive tension between schemes

Some stakeholders argue that the FOS and CIO had a competitive tension that enabled process improvements to take place as a result of benchmarking, which will now be removed. However, it is interesting that the representatives of the two schemes held differing views on the appropriateness of competitive tension in the running of complaints resolution schemes.

The CIO argued in its submission that a single scheme would mean the end of being able to benchmark on the quality of service to consumers, to compete on price, and to innovate by benchmarking the processes used by another scheme. The CIO also stated that it believes the existing system is "not broken" and it is opposed to changes that could be more costly to those at the smaller end of the financial advisory marketplace.

The FOS stated in its submission that the current structure is a product of history rather than design, and changes are necessary to ensure a better system of dispute resolution for the future. The FOS also said any changes it made to its processes have nothing to do with competitive tension and is instead attributable to other reasons such as process reviews.

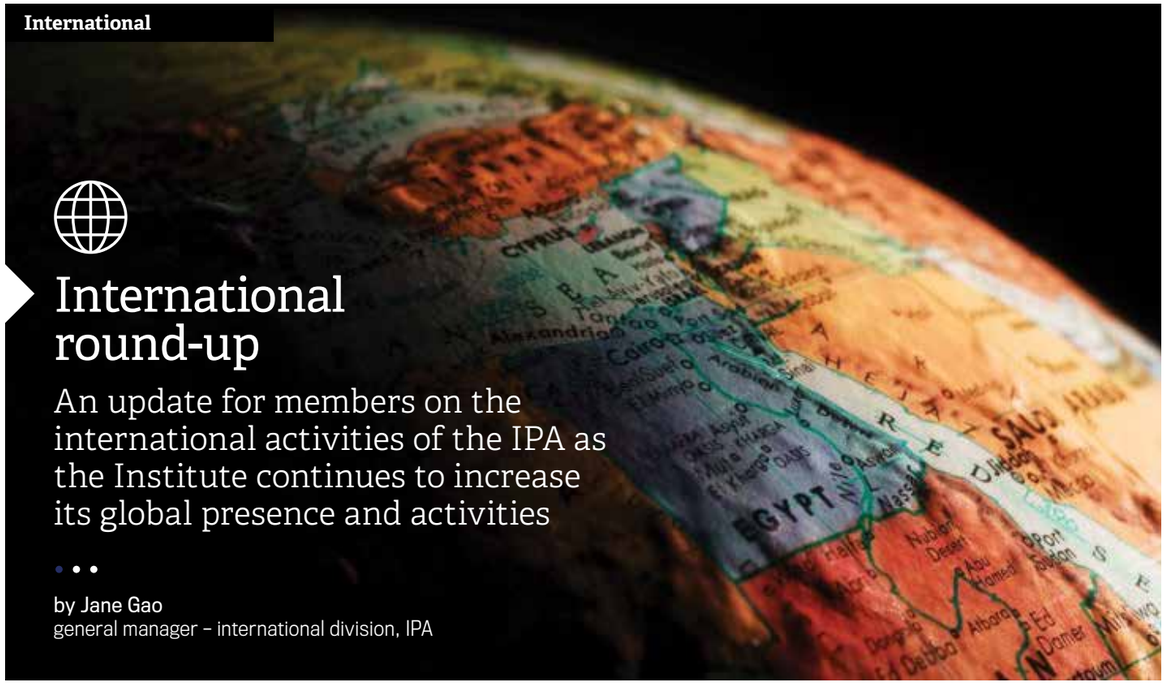
ASIC's role in regulating the EDR scheme

The new legislation gives ASIC sweeping powers to oversee the EDR scheme, which is necessary to counteract any perceptions that such a complaints regime is dominated by the larger players in the financial services sector.

Other reforms

The government has also decided to ensure that small businesses have the opportunity to obtain greater assistance from the financial services sector in relation to financing their operations, as well as boosting the amount that is able to be subject of a complaint. This is a much-needed reform and will be welcomed by small business owners who, from time to time, may need to lodge complaints against lenders for inappropriate behaviour.

The IPA, along with many other stakeholders, supports an annual performance review and will be keen to assess the success or failure of the new EDR system.



International round-up

An update for members on the international activities of the IPA as the Institute continues to increase its global presence and activities

by Jane Gao
general manager – international division, IPA

With encouraging international membership growth, the IPA offices overseas continue to proactively organise and support a range of local conferences, forums and events to promote IPA brand awareness as well as deliver quality services to local members and accounting professionals.

IPA Hong Kong division:

- On behalf of the IPA, Professor Allen Wong – IPA divisional general manager – Hong Kong and Macau attended Hong Kong New Territories General Chamber of Commerce (NTGCC) Cocktail Reception with outgoing Hong Kong chief executive Leung Chun-ying as the guest of honour on 21 February 2017;
- IPA was the supporting organisation for the HKSAR 20th Anniversary Forum on Law and Politics held by the CA Legal Exchange Forum at the Hong Kong Convention and Exhibition Centre on 21 April 2017;

> "IPA is one of the co-organisers for the Hong Kong Small and Medium Enterprises Mentorship Programme 2016/18. The Programme helps SME entrepreneurs in the early stages of business to learn from and be guided by accomplished entrepreneurs, senior executives, and professionals"

- IPA is one of the co-organisers for the Hong Kong Small and Medium Enterprises (SME) Mentorship Programme 2016/18. The SME Mentorship Programme helps SME entrepreneurs who are in the early stages of business to learn from and be guided by accomplished entrepreneurs, senior executives, and professionals through one-on-one free counselling.
- The IPA also set up a booth and participated in the Hong Kong Polytechnic University Career Fair 2017 in May. HKPU Career Fair has been widely recognised and well received by employers in Hong Kong as the largest platform for recruiting local university graduates.

IPA Malaysia division

- Andrew Conway (CEO), Damien Moore (president and chairman), Catherine Cleary (executive general manager, marketing and partnerships) and Arthur Burt (executive general manager, member growth) visited Malaysia in May 2017 to meet with some of the key organisations, including the Malaysian Institute of Accountants (MIA), for potential co-operation opportunities. They also met with IPA Malaysia division manager Max Lee and local branch council members to discuss IPA development strategies in the region followed by a networking session with Malaysia members to update on the IPA recent developments.

What SMEs should know about the 457 visa changes

The government's recently announced 457 visa changes pose a challenge to businesses - what do you need to know to navigate the changes?

by Charmaine Loratet

Charmaine Loratet, people and culture director, Ascender

The 457 system that allowed businesses to source temporary skilled workers from overseas has been replaced with a new scheme that puts Australians first for these roles. The sudden axing of the program, and the breadth of roles removed from the occupation list, came as a shock to many.

SMEs and start-ups, in particular, are waiting for the government to present a strong case behind the changes and to supply details on how it will benefit all parties.

In the interim, it's essential that businesses help their teams to understand how the changes will impact them as individuals, and the industry in which they operate.

It's crucial to review all of the facts at hand, and to prepare, act and communicate such changes to employees in a timely manner.

Firstly, businesses should note that staff employed under the previous 457 visa conditions will not be impacted, thanks to a grandfathering arrangement within the legislation.

Communicating this to employees should be priority, before setting the ball rolling on other required adjustments like recruitment, training and other internal culture-building strategies to support the workforce.

Prospective applicants and businesses sponsoring skilled migrants will, however, feel the greatest impact due to the significant amendments to the occupation list and the application process.

The 457 visa program will be replaced from March 2018 with the Temporary Skill Shortage (TSS) visa. The TSS will be split into two streams: Short-Term (two years) and Medium-Term (four years).

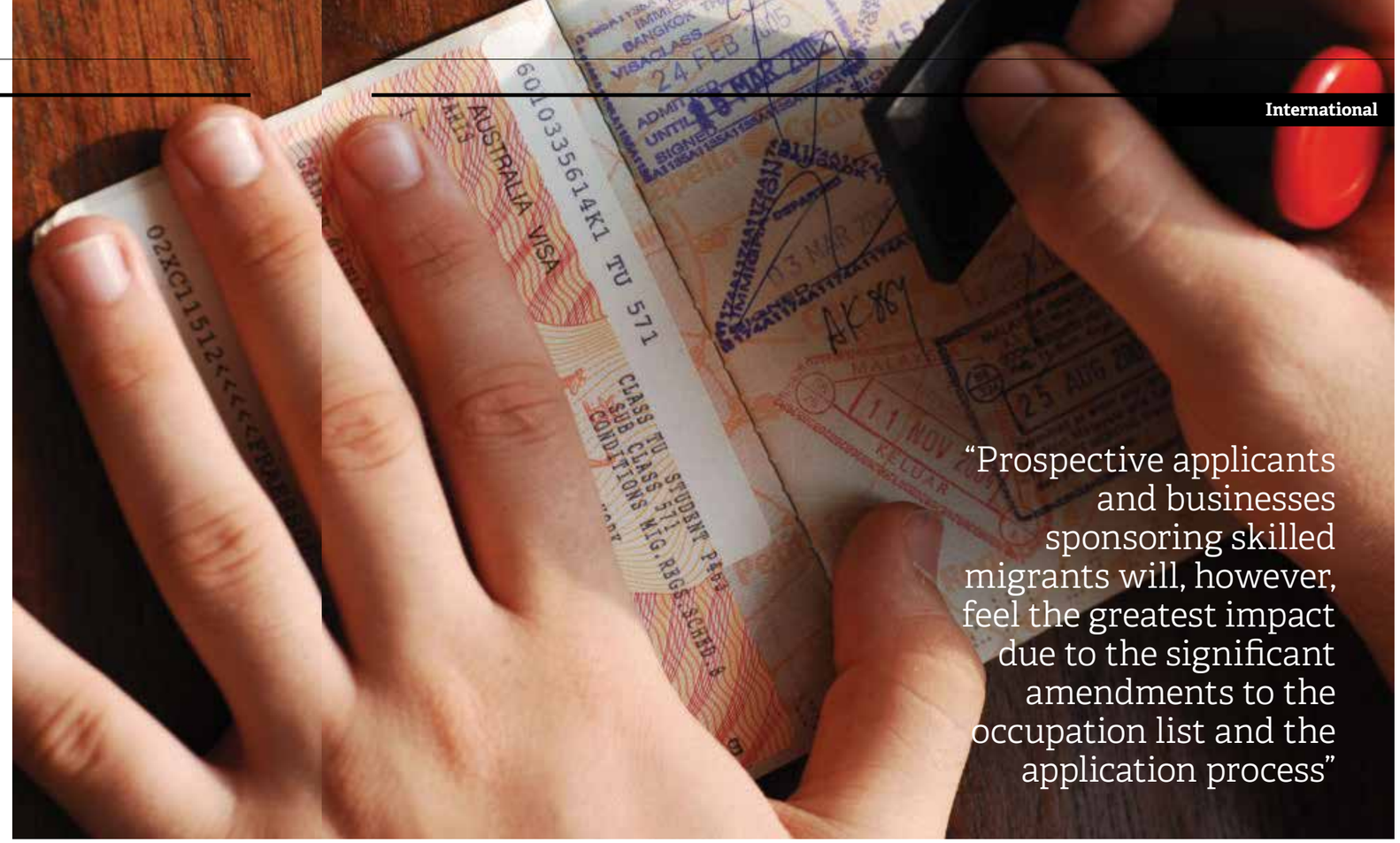
In addition, the government has released an updated list of the occupations eligible for the new visas, scaling back the list from 651 to 435 occupations, to be reviewed every six months.

It's not all doom and gloom

The revised conditions of the TSS will likely provide more working opportunities for Australians looking to step into a career in areas that are currently satisfied by temporary workers.

By adjusting the requirements for temporary visas to focus more on specialised skill sets, employers will be encouraged to look at Australian citizens to fill the workforce gaps and will ultimately help start-ups access the right local talent to grow and drive SME business success.

With this in mind, Australian SMEs should know how to prepare. From management to HR, businesses need to focus on risk mitigation, seeking advice from industry bodies, peers and agencies, communicating with current employees and readying for business impact.



"Prospective applicants and businesses sponsoring skilled migrants will, however, feel the greatest impact due to the significant amendments to the occupation list and the application process"

Risk mitigation and employee communication

SMEs must constantly assess whether the right people are in place with the appropriate skills to help the company compete, innovate and grow. This is particularly important for businesses adopting the start-up mentality and those looking to expand at scale into new markets.

In light of these visa changes, businesses must assess which employees are current 457 holders before taking the time to discuss how the organisation will protect and support them in this volatile period.

Irrespective of the grandfathering rule, international employees will feel uneasy about the changes and are more likely to look for overseas roles or wish to return home.

They may have hoped for a partner or family member to join them in Australia, so working through the changes to permanent residency should form part of this conversation.

Industry advice

Working through the impact of these visa changes will require collaboration with key industry bodies, peers and government agencies.

Unions claim the changes are mostly 'cosmetic', while some industries have pronounced that it will make it more difficult to secure experienced individuals, potentially impacting commercial growth and innovation.

As the changes come into full effect, SMEs may also need to engage with legal professionals throughout the hiring process to mitigate risk and ensure compliance with the new visa classes.

Buffering the business impact

The TSS visa will be roughly equivalent to the current 457, but it will be harder to get. The TSS will have higher requirements than the current 457 program, including a 'higher standard of English', a 'proper police record and criminal check', a two-year work experience requirement, and 'mandatory labour market testing'.

Holders of the new visa will not be as easily able to apply for permanent residency as 457 visa holders are. This may cause issues when recruiting from overseas for newly emerging or highly specialised roles.

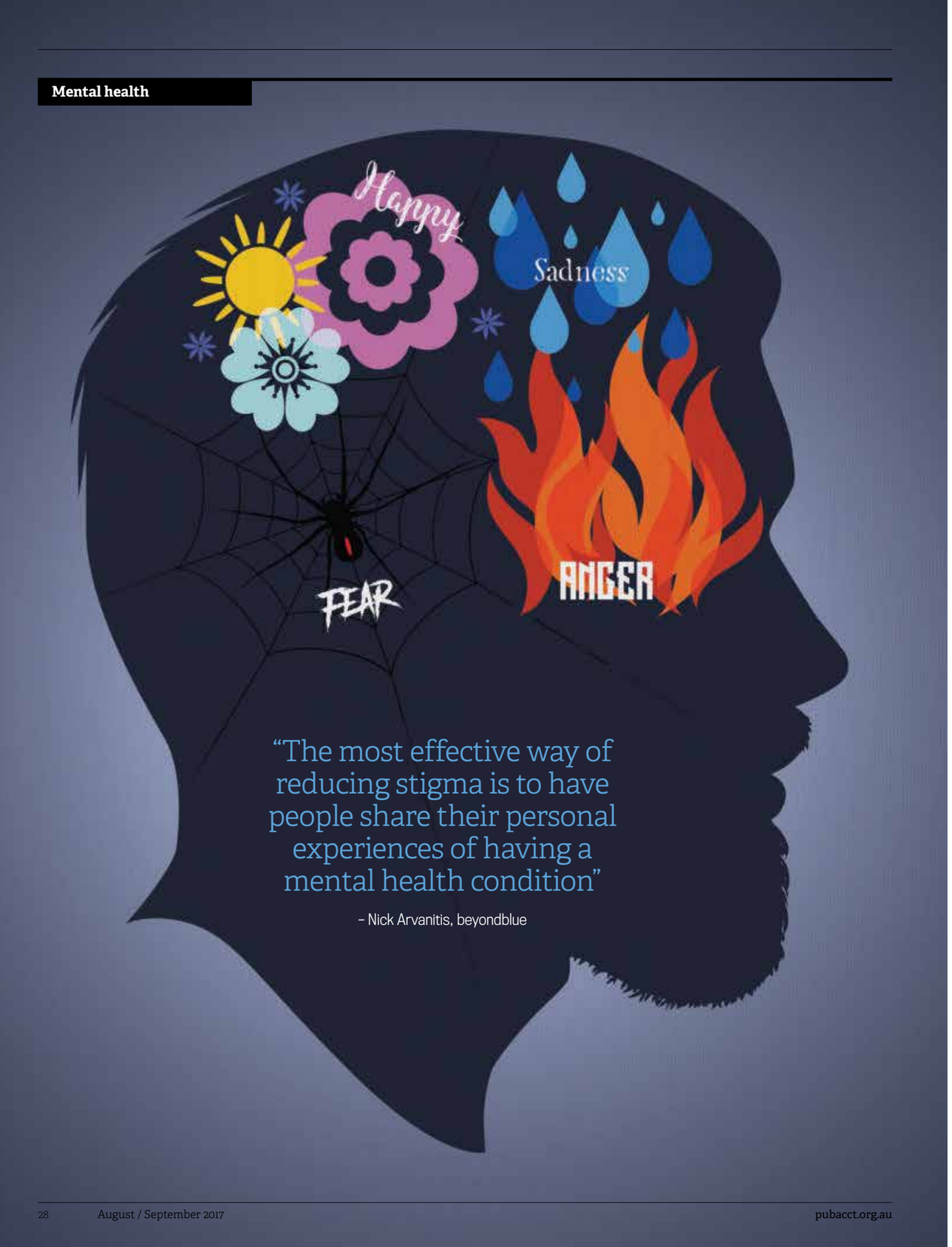
In the recent federal budget, a new foreign skilled worker levy was also unveiled that will significantly affect SMEs. Businesses with a turnover of less than $10 million will have to make an upfront payment of $1,200 for every year they employ someone on a TSS visa, and make a one-off payment of $3,000 for each employee they sponsor for a permanent skilled visa.

This is despite a government consultation process that suggested the training levy should be set at $400 for small businesses.

The compulsory payments, however, will be spent on the training and development of Australian apprenticeships and traineeships in high-demand occupations, which may aid some businesses looking to onboard more Australian staff in these entry-level roles.

SMEs and start-ups that work within this framework to assess the visa changes will be better prepared for the TSS when it comes into play in March 2018.

Maintaining open and collaborative communication lines at every stage will be imperative for ensuring employee peace of mind. Working with wider industry bodies, peers and government agencies will also help businesses assess skill shortages and recruit the right people for these roles.



"The most effective way of reducing stigma is to have people share their personal experiences of having a mental health condition"

– Nick Arvanitis, beyondblue

Support behind the SCENES

Starting a business is as much a personal choice as it is a financial one, and an accountant who partners with a small business owner is taking on far more than a set of books. It's time that the social impact of accountants was acknowledged, embraced, and progressed on a national scale

by Jotham Lian

→

By day, Mick Conway runs a highly successful landscaping business that designs award-winning projects for renowned international garden shows. By night, the realities of running a small business and supporting his sick wife sets in.

For the past decade, Mick has juggled his business, two young children and a wife who is battling breast cancer. The pressures he faces on a daily basis has taken a toll on his mental health and personal wellbeing.

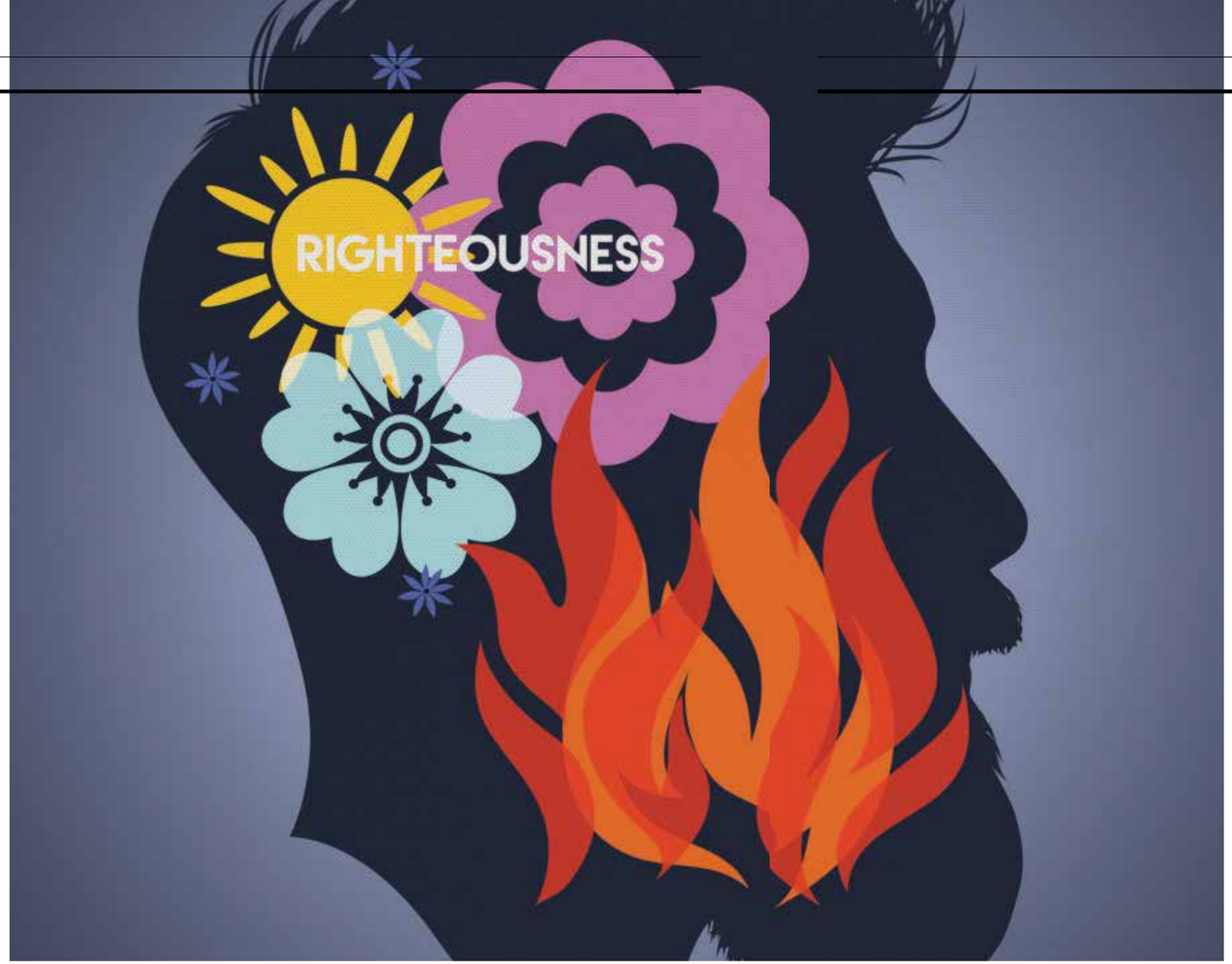
The single person who plays a big part in alleviating Mick's stress isn't a family member or a friend. It's his accountant.

"Don't worry Mick, I'll take care of it," his accountant reassures him. And with these simple eight words, Mick feels less burdened. He can hand over most compliance and financial issues that arise to his accountant and know they will be taken care of.

Anyone running a small business knows clocking off is not an option. They can relate to the relief of having help with the books. This help not only alleviates business stress, it has a positive impact on the wellbeing of business owners too.

A recent report by Suncorp, SME vs Me, revealed that many business owners are overlooking their mental health and wellbeing to achieve professional success. The study found that almost two-thirds of business owners surveyed experienced a personal impact – including financial stress, loss of motivation and relationship strain – as a result of being swamped at work.

Two-thirds of business owners, who operated their businesses for just under three years, were dissatisfied with their work/life balance, while only a quarter were satisfied that the experience of running their own business lived up to their expectations.



Inextricable links

The World Health Organisation (WHO) considers managing the pressures of work life central to mental and emotional wellbeing. WHO defines mental health as "a state of wellbeing in which every individual realises his or her own potential, can cope with the normal stresses of life, can work productively and fruitfully, and is able to make a contribution to her or his community".

According to beyondblue, while mental health is not fixed or static, stress and heavy workloads are common factors that contribute to anxiety and depression.

Heads Up, beyondblue's mentally healthy workplace initiative, says that one in five people in the workforce are likely to be experiencing a mental health condition at any given time, costing Australian employers $10.9 billion annually.

Beyondblue's head of workplace research and development, Nick Arvanitis, says small business owners are at a greater risk of developing a mental health condition because of their greater responsibilities and workload.

Satisfaction with work/life balance has a huge impact on the mental health and wellbeing of a business owner, with less than half of owners surveyed in the Suncorp report saying they were satisfied.

Those who said they had suffered a personal impact as a result of work cited inadequate sleep, personal financial stress, feelings of isolation or loneliness, illness and personal relationship stress as some of the effects of being overwhelmed at work.

"We know that work/life balance is a significant issue because it can interfere with activities that we know are good for people's physical health and mental health, like eating a balanced diet, being able to exercise and having those social connections," Mr Arvanitis says.

Enter the accountant

Mr Arvanitis says small business owners need to realise that "no man is an island" and lean on the expertise of professionals, such as accountants, when they are dealing with the financial side of their business.

"Clearly, as a small business owner with all the demands that come with running a small business, you essentially won't be able to do everything by yourself so if there's a need for financial advice from an accountant or there's a need for mentoring, [you should approach someone]," he says.

"As a small business owner, you need to be thinking [of] what sort of support and advice and expertise you need in order to run a successful small business and to look after your own mental health."

Suncorp chief executive of customer platforms Gary Dransfield acknowledged that accountants are key in providing business solutions to owners, helping to mitigate common stress triggers that could potentially lead to mental health issues.

"Time is so valuable to small business owners, yet it's the one thing they rarely have enough of. There are many solutions available – digital software programs, business dashboards, business advisers, accountants – which can remove operational complexities and alleviate some time pressures," Mr Dransfield says.

The Institute of Public Accountants' chief executive Andrew Conway has been a strong advocate of mental health in the accounting space.

"Do accountants stop and think when clients walk through the doors of our practice or when they give us a call that it's possibly the most important conversation they're having that day or in that week?" Mr Conway asks.

"They could be coming with a whole raft of concerns and anxiety that, in that one interaction with us as an accountant, we have the power to reduce the stress and anxiety which has a direct impact on their mental health and wellbeing."

Mr Conway cited the example of a barramundi farmer in the small town of Humpty Doo in the Northern Territory who used to lie awake at night worrying about compliance, funding and employee obligations as he struggled to keep his business afloat.

The barramundi farmer subsequently engaged an accountant which had a positive impact on his mental state, leaving him better positioned to focus on the things that really matter – his employees and his business.

"I first floated this about 18 months ago at our divisional congress and I asked our members how many of them had a client walk in the door, saying, 'That's it. I just want to throw the keys on the heap and I'm not interested anymore. I want to give the game away'," Mr Conway says.

"Every single member put their hand up."

> "We know that work/life balance is a significant issue because it can interfere with activities that we know are good for people's physical health and mental health, like eating a balanced diet, being able to exercise and having those social connections"
>
> – Nick Arvanitis, beyondblue

Diving deeper

In order to better understand this client-accountant relationship and its effects on mental health, the IPA commissioned the Small Business White Paper version 2.0, due to be released early in 2018.

"We expect the findings to validate the fact that small businesses value the relationship with their accountant, which ultimately leads to lowering their levels of anxiety and stress about their business, and that may well help arrest that spiral into a depression that might become a clinical depression and the natural ultimate tragic consequence that sometimes arises out of that," Mr Conway said.

"It's about providing a fresh dimension. [Accountants] sometimes lose sight of the bigger picture, which is the social dimension of the work we do."

Despite the work of organisations such as beyondblue, there is still a degree of social stigma associated with mental health.

Mental health

"It's about saying let's talk about these issues, let's be part of this broader conversation about mental health and wellbeing. Let's not look at it from a taboo point of view, let's not shy away from the issues that Australians face and let's address them and provide some practical support"

– Andrew Conway, IPA

"[Stigma] is a very significant barrier to people disclosing and talking about mental health conditions, and seeking the treatment and support that they might need," Mr Arvanitis said.

"On the flip side, the most effective way of reducing stigma is to have people share their personal experiences of having a mental health condition because the sharing of stories can be really powerful in terms of encouraging conversations about mental health conditions."

Mr Conway is hopeful the white paper will provide the impetus for accountants to stand up as an industry to combat these issues.

"I think for us, it's about saying let's talk about these issues, let's be part of this broader conversation about mental health and wellbeing," he said.

"Let's not look at it from a taboo point of view, let's not shy away from the issues that Australians face and let's address them and provide some practical support."

Mr Conway says the IPA's yet-to-be-released white paper will help the organisation to better advise its members on how to handle sensitive conversations about mental health with their clients.

"It's a sort of conversation that is so delicate and sensitive that it has to be handled with appropriate skill and diligence," he says.

"This initial research and field evidence will just scratch the surface, but I'm hopeful the initial findings will then lead to a larger scale research piece through our research centre so that we equip our members with the skills they need to provide the services to clients to ensure they are not only enjoying prosperity but also personal and mental prosperity."

A unique opportunity

While accountants are second to none on the tax and compliance front, helping small business owners create a sustainable plan and enjoy life outside work is not a service offering that has reached its full potential in the Australian market.

Opening Gates director Judy Reynolds – who ran her own accounting practice for more than 25 years – says there is a big opportunity here for accountants to expand their value with SME clients.

"Having been in the accounting business for many years, we only ever talk to our clients about strategic decisions around business and the point of reference in those conversations will always be 'how will this progress the business, how will this move the business forward, how will this make the business more profitable?'," Ms Reynolds says.

"Unfortunately, there is [often limited] consideration for the business owner's life in that conversation.

"I advocate that accountants need to have a conversation about what the business owners want from their lives so that they can have a meaningful discussion around strategic business decisions because without that, life is just left by the wayside and it does not serve people to remain sustainable in business."

Ms Reynolds says the biggest challenge lies in helping small business owners realise that their life is not defined by their business, which is merely a tool to enable their life plan and wealth goals.

She likens business owners to elite athletes who often define their lives by their sport, eventually feeling lost when they have to retire.

"Once we were able to reposition the business as part of life, not life itself, it changed people significantly, because it helped people remain in roles in business on a sustainable basis," Ms Reynolds says.

"Once we did that, we could design a life plan that was amazing and that they were excited about and then we could position the business in a place which enabled that life to turn up.

"I want accountants to shift the conversations from this historical transactional reactive discussion that sits in the past to a more futuristic relationship-building proactive conversation so that we can actually be in a position to assist in the decision-making process."

A new wave

Mr Conway believes the accounting profession, with its capacity to provide social value through its work, can attract the next wave of talent.

In a World Economic Forum study, 5,000 Millennials in 18 countries said that the number one priority of businesses should be "to improve society".

"Here's an opportunity for the profession to point to the work that they do and say, 'You can't get more social value than supporting a person in their hour of need from an anxiety or stress perspective when to them, the world that they attempted to build for themselves and their family is at risk'," Mr Conway says.

"When an accountant says, 'Don't worry. I've got it under control for you, we'll sort this out', it has a profound impact."

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The next generation

Understanding a new breed of ACCOUNTANTS

Everything you once knew about graduates has changed – the skills they bring, the way they want to work and how best to retain them

by Lara Bullock

The accounting graduates of 2017 are not like they used to be. They know nothing other than a world of technology, and the way they work and live is defined by a completely different infrastructure than the generation before.

Navigating the world of graduate recruitment can be daunting for an accounting firm that is used to hiring a newbie with a solid academic record who is keen to work their way up the ladder.

In 2017, finding a graduate who has the right balance of technical, technological and soft skills, and providing them with a work environment that will make them want to stay requires a different approach.

A different beast

It's no secret that technology has become a part of everyday life for the majority of Australians, and while Baby Boomers had to learn the ropes as adults, Millennials were born into this tech-saturated world.

"The biggest characteristic trait Millennials have is their skills within the technology space, which are far more advanced than what our graduates had say, 10 years ago. Outside of sleeping, they are involved with technology practically 24/7," says Nicole Gorton, director of recruitment firm Robert Half.

"Because they're so practiced and they're so interested and passionate, it has become a way of life, if you like, therefore that whole blended work-personal life is a characteristic trait of a Millennial who is graduating now," Ms Gorton says.

She says Millennials possess high-level tech skills that they can bring to a firm in a number of ways.

"One of them would be that they're very quick to learn the systems, so don't underestimate their ability there, don't underestimate how they can add value within that and improve that technology space.

"Once they've learnt the system, somebody who has been practiced and is used to technology can just

think differently and they can think about how they can add efficiencies and how they can improve systems and procedures."

Hays accountancy and finance regional director Susan Drew also weighed in, referring to Millennials as "digital natives" whose knowledge firms should be tapping into.

"As digital natives, they can bring strong digital and technology skills," Ms Drew says.

"Firms can utilise this through a two-way mentorship where an experienced worker is paired with a younger, more technology proficient Millennial. This allows the latter to benefit from the wisdom of experience, while the former gains additional technology skills."

Skills shake up

In recent years, universities across Australia have been modifying their accounting courses, adding subjects in soft skills and technology. Students today are graduating with a slightly different skill set than they used to, according to Luckmika Perera, director of teaching in the department of accounting at Deakin University.

"I think five or 10 years ago, the focus was more on having the technical skills and going out into the industry and being able to start off just being practical and technical," Mr Perera says.

"Things have slightly changed and now graduates will come out needing to balance a little bit between more technical and non-technical skills or what we call soft skills, which are ever increasing."

The increasing importance of soft skills comes as outsourcing and automation take over some of the compliance work accountants used to do, pushing them into more client-facing advisory work, Mr Perera says.

> "If there's a quicker, more efficient way of performing a certain task, Millennials are usually the ones coming up with the solution or at least posing questions that motivate us to improve the way it's done"
>
> – Susan Drew, Hays

"Most of the back-end stuff, the technical stuff, while the graduates need to have that knowledge, most of these things are becoming automated or being shifted to offshore locations, particularly in the Australian context," he says.

"What we need to look at is not just the technical skills alone, but also to add that layer of soft skills, interpersonal skills, the emotional intelligence component."

Pitcher Partners Sydney managing partner Rob Southwell has noticed a shift in the general knowledge of new graduates, many of whom are not afraid to speak their mind.

"They carry a little bit more world knowledge than a graduate of 15 years ago. They're actually bringing new ideas to the table around the way that we work and things that we could be doing to help them as well," Mr Southwell says.

"They're definitely quite hungry for that learning and exposure. They're looking for fulfilling experiences and they want it pretty quickly so they bring a high level of eagerness."

Ms Drew agrees, saying that Millennials are not afraid of asking questions and voicing their opinions.

"Millennials question why things are done the way they are, particularly if there's a better way to do them," she says.

"If there's a quicker, more efficient way of performing a certain task, Millennials are usually the ones coming up with the solution or at least posing questions that motivate us to improve the way it's done."

Ms Drew adds that Millennials are great team players and collaborators, which complements the way the accounting industry is evolving.

"They also bring the skills of collaboration with this. They're natural collaborators who join online learning groups and share content," she says.

"Virtual as well as physical tools now allow workplaces to become more collaborative and create working cultures where expressing and sharing ideas are inherent to the way we work. In our rapidly changing world of work, this ability to collaborate to adapt is a huge advantage and one we should all embrace."

What do Millennials want?

With a new set of skills and a new way of seeing the world, it can only be expected that the things Millennials want from their employer are also not what they used to be.

"Flexibility in the workplace is very important because life has changed. The nine-to-five concept is no longer there. In most cases, people tend to work at different time slots and not everybody fits to that nine-to-five routine," Mr Perera says.

"If the company recognises that the optimal way of the graduate or the Millennial is to operate when they are most productive, that should be encouraged."

Macquarie University associate

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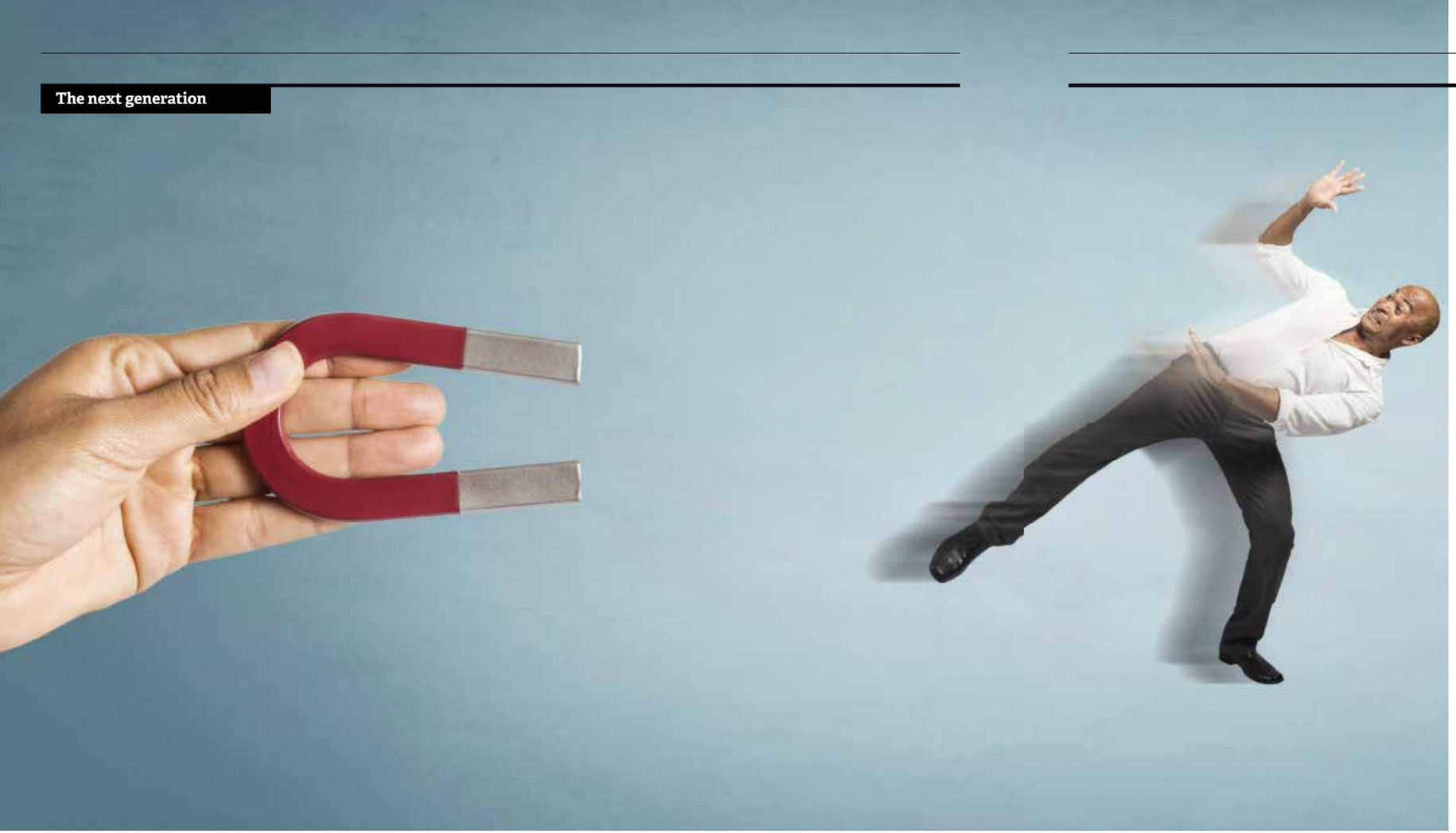

professor Rahat Munir says flexible arrangements are an expectation now and no longer seen as a perk.

"The graduates now expect a work environment that's more technologically driven and more flexible where they can work from anywhere. That's what the expectation is now, but 10 years ago, or maybe earlier than that, that was not the expectation," Mr Munir says.

He adds that recognition is more important to Millennial accountants than salaries.

"The current generation, I would say, expect that they are valued and recognised for their hard work and skills. Financials or money perhaps is not important here, but it is more of the skills they use and being recognised by the top management."

Ms Drew seconds that opinion, saying communication about career advancement opportunities and timing are key to keeping both parties happy.

"Millennials want to ensure their current role will help them achieve their next step up. While some employers see this as self-centred, I view it as a sign of their motivation and a challenge to employers to ensure they promote clear and transparent career paths. So long as Millennials know what skills and results they need in order to earn their next promotion, their career ambitions will motivate high performance," she says.

"Employers may feel there is a sense of urgency from Millennials about when these promotions will occur, but by offering clear and transparent career paths, staff will know that promotion is based on merit rather than a certain amount of time in a role."

Hiring makeover

What does all this mean for an accounting practice wanting to hire a graduate accountant? It means a thorough recruitment process that goes beyond just looking at applicants' university qualifications is required.

"From a firm's perspective, they need to obviously look at the technical skills, which is important. Without having the technical skills, you cannot go out there and present yourself and be confident in what you do. But in saying that, you have to look at the balance side of things," Mr Perera says.

Some things worth looking at are extracurricular activities, involvement in societies, voluntary services or international experience.

"I'd look for a balanced CV. It's not just the high achievers. I would actually be worried if the student had all high distinctions and no social activities or social life. That's a red flag for me," Mr Perera says.

> "I think that job for life is not so prevalent these days, so don't have an expectation around that. Have an expectation around how you can get the best out of each other in the time that your employees are there"
>
> – Nicole Gorton, Robert Half

"Obviously, when you're picking somebody, it has to be a balanced person who's able to manage the academics with the non-academic soft skill components."

Meanwhile, Mr Munir believes the actual recruitment process also needs to be overhauled.

"The recruitment process should not be designed in a way like in the past where we used to have a test and then an interview and so on," he says.

"Companies are moving away from these things to more psychometrics and more presentation-style group work which is then assessed."

Retaining your talent

The recruitment process is only the first step. Accounting practices must ensure they have good retention strategies in place or risk losing their talented graduates to a competitor.

Mr Southwell suggests offering Millennials the opportunity to work with various teams within the firm, as well as secondments or stints overseas.

"Short-term secondments to in-industry or to working with clients for a period of time gives them some exposure outside of working in a chartered practice for their whole lives," he says.

"Also, giving them the opportunity to go and work abroad and experience different cities, different cultures, different clients, different firms. It gives them a really good sense of where they fit in the world and how working with the firm compares."

Ms Gorton adds that having a training program is a key part of retaining Millennial accountants.

"It can be a formal training program, it can be the opportunity for them to build relationships with a mentor, either locally on the ground or somebody in another office across the globe. The more that you can train and develop somebody, it will help retain them," she says.

"Organisations should not underestimate training outside of the company. A lot of people are a little bit fearful of looking externally if they don't have that training or that course or that mentor opportunity internally, but they shouldn't be afraid of doing that because it also helps retain Millennials."

However, Ms Gorton also says that retaining employees for their entire career is highly unlikely today.

"I think that job for life is not so prevalent these days, so don't have an expectation around that," she says.

"Have an expectation around how you can get the best out of each other in the time that your employees are there."

Bookkeeping

THE *BUSINESS* OF BOOKKEEPING

The bookkeeping profession has evolved significantly on the regulatory and technology front – what does this mean for practitioners on the ground?

by Katarina Taurian

Both on the business and regulator front, the bookkeeping industry has faced significant change in the last decade. By and large, professionals have turned the headwinds into tailwinds, and harnessed digital disruption and increased regulatory requirements to grow their business and expand their client services.

The sands are still shifting for professionals on the ground, but as always, it's the savvy operators that will reap the rewards.

The regulatory front

Prior to 2010, the bookkeeping profession wasn't strictly regulated, meaning there was no formal registration requirement.

For seven years now, BAS agents have had to register with the Tax Practitioners Board (TPB), and by all accounts, this regulatory push has been a successful one.

According to the chair of the TPB, Ian Taylor, BAS agents have given the regulator very few headaches, and continue to have a clean compliance record, particularly when compared with other professionals under the TPB's gaze.

In fact, when it comes to BAS agents, the number of complaints from professionals and their clients about the competency of service are "very few", said Mr Taylor.

Overall, there are 1,600 complaints per year. Of those, approximately 1,200 come from consumers, approximately 300 are referred from the ATO, and approximately 100 come from the practitioner population.

The TPB looks over 77,000 agents in total, with the BAS agent population making up for about 20 per cent of that. Of the 1,600 complaints which span all practitioners, Mr Taylor reported that the number of complaints against BAS agents is "very low" by comparison.

"BAS agents, throughout that process, have towed the line and done everything that has been asked of them," Mr Taylor said.

Because of this glowing report card, there are no immediate plans for significant crackdowns or compliance spot checks from the TPB. It has just recently wrapped up a major project targeting unregistered service providers, which saw almost 3,000 BAS service advertisements targeted for further work.

In saying that, Mr Taylor said the TPB will always investigate claims of non-compliance from the professional community or consumers, and encourages people to speak out or get in touch if they run into anything suspect.

Getting down to business

A principal appeal of bookkeeping as a career choice has been, historically, the flexibility that the role can provide. Bookkeeping, more and more, can be done off-site, out of regular business hours and at a pace that is defined by the bookkeeping business.

These features — which are contrary to the traditional dictates of accounting work in particular — have a direct impact on the demography of the bookkeeping profession.

Seventy-seven per cent of registered BAS agents are individuals, with the remaining 23 per cent being BAS agent partnerships or companies.

Approximately 80 per cent of the BAS agent population are women, with many of them working flexible and part-time arrangements. Forty-seven per cent of BAS agents are over 50 years of age.

The advent and evolution of technology will continue to enable this flexible and agile approach to business, but this in itself is not without its challenges.

Ignoring the trends — and opportunities — offered by new tools and services on the market, the industry will see bookkeepers playing catch-up to their competitors and, mostly, to new entrants.

> "It also suggests growth in the SME sector, which will fuel demand for bookkeepers, providing they are winning business and growing their business"
>
> – David Cawley, Hays

"Let's be real here, technology in the accounting industry does not sit still for a day, which means that today's bookkeeper needs to be a lifetime student learning new technology and skill sets," said Lielette Calleja, director at All That Counts.

"Staying relevant is not an easy feat. It would have suited me more to bury my head in the sand and continue providing yesteryear-type services and solutions, but I was not one to just sit on the sidelines. In order to build and maintain a competitive advantage I needed to be part of the change, and I wanted to be at the forefront of using the latest small business accounting solutions and stay a step ahead."

Dollars and sense

Bookkeepers who are willing to work around their clients in terms of availability and specialty knowledge will be in the "driver's seat" for a fee increase over the next 12 months, according to recruitment firm Hays.

"What we are seeing is people paying over market rate, because they want to get the right person for the business," said regional director at Hays, David Cawley.

"The overriding feeling is that there was nothing in the budget this year that would scare business owners. Retail spending has been a little bit softer, but unemployment is at relatively good levels, business confidence is pretty positive and factors like that suggest economies will keep growing," Mr Cawley said.

"It also suggests growth in the SME sector, which will fuel demand for bookkeepers, providing they are winning business and growing their business."

There are untapped markets for those bookkeepers on the hunt for new revenue streams, particularly in the freelance market.

Two different ends of the scale are becoming increasingly attracted to contract and temporary roles because of the flexibility they provide. Namely, Millennials and Australians approaching retirement.

Particularly when looking at the younger end of the market, this presents an opportunity for bookkeepers who are looking to capitalise on a new breed of worker with a potentially more complex or non-standard set of financials.

"If the statistics are right, 40 per cent of the workforce are set to be freelancers, and that is an untapped market," said Receipt Bank's country manager for Australia and New Zealand, Sophie Hossack.

She noted that freelance communities in particular — given they are personal by nature — are often "hotspots" for referral activity also.

Ms Hossack also identified lucrative industries where she can see clear client and referral opportunities for bookkeepers keen to explore new revenue streams.

"Fashion models, for one. A lot of the younger models, particularly females, earn a lot of money, and need advice to make sure they're compliant. They're all working in the same industry, so there's a great referral opportunity there. Also, there's a channel of talent agencies to leverage," she said.

"A similar opportunity is sports agents. They are time poor, and the wealth creation in that industry is good, and again — there is a referral network."

> "Let's be real here, technology in the accounting industry does not sit still for a day, which means that today's bookkeeper needs to be a lifetime student learning new technology and skill sets"
>
> – Lielette Calleja, All That Counts

What's next?

In relation to the business of bookkeeping, pricing tension and contention is likely to continue.

The argument for value-based pricing — although a massive switch from the traditional safe haven of billable hours — is becoming more and more acknowledged as the model of the future.

For Ms Calleja, changing the way she priced her services resulted in very little collateral damage — but there was a structural communication system with her clients before making the transition.

"I educated my clients that it was all in the value of the outcome, not the duration or frequency it took. We started to package up our services on an annual basis and included the cost of software, add-ons, client meetings, support, BAS preparation, etc. The concept of knowing that I was earning an income while being able to work on my business was a welcome change," she said.

"We recently increased our prices by 3 per cent. The fallout was losing one client, but the upside was two of them insisted they pay us more if we could guarantee faster turnaround times to their emails.

"It's evident that some clients will value service over price and others will not. Although this started out as a price increase strategy, by default it ended up being an actual exercise in how our clients value us."

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Future FOCUSED

From a wrestling federation in Adelaide to a semi-legal gym in his parents' backyard, Accodex chief executive Chris Hooper explains how his string of start-ups led to banking his livelihood and career on one business idea

by Katarina Taurian

→

A young Chris Hooper watched his dad running a business importing and selling medical equipment — a career path that had him working around the clock for years, but comfortably retired by his 50s.

"I was learning what Pty Ltd meant at age six, and my mum had me reading and understanding the finance and business pages in the newspaper," Mr Hooper said.

By the time he was 13, he and some mates in his hometown of Adelaide were operating a professional wrestling federation, which — although popular — was far from a commercial success.

"Turns out, you can't make any money out of professional wrestling in the Adelaide market. So, the capitalist in me was out by age 15," he said.

He struck gold at 17 though, running a "barely legitimate" gym in his parents' backyard, which he charged membership fees of $10 a week for. In the noughties, when personal trainers weren't a dime a dozen, Mr Hooper was also charging "the rich kids" anywhere between $30-50 an hour for one-on-one sessions.

"So, school was not interesting," Mr Hooper said. "My mum gave me the ultimatum — 'Chris, you don't have to go to school, but you're either paying market rate board and working, or you're going to school.'

"So, I paid market rate board, and then I went about getting a grown-up job at a gym in the city — doing the same thing but at a much bigger gym — because I couldn't run a commercial enterprise from my parents' shed."

The numbers game

Entrepreneurship, not accounting, is always what got Mr Hooper's blood pumping. Life was "pretty sweet" for Mr Hooper in his late

teens, after his series of business ventures and with his stable work at the local gym.

"I'm like 18 with no high school education, I'm at a gym, I'm loving life, I was living in the city, I had a sweet two-bedroom townhouse house on the south side of the city, was still making decent money, and had a nice stupid sport car. I did the teenage boy thing very well," he said.

"I started growing up and coming to a conclusion, 'Chris, you can't do this forever.' I just didn't want to be a crusty old half balding dude in a tank top and gym shorts.

"I was also looking at the market in the fitness industry, this was around the time Fitness First became big, that was a huge competitive threat. I also saw the flood of people entering the Australian Institute of Fitness becoming personal trainers. There were a lot of accountants becoming personal trainers... which I thought was interesting in reflection 15 years later.

"I had a pretty strong grasp of the market and economics without being formally taught it, you just kind of get it. It was like 'damn, if there are more people going into personal training than there is demand for personal trainers, what is that going to do to prices?' It doesn't take a rocket scientist to figure out the economics of that."

His Sliding Doors moment came at age 19, at a pub 30 metres down the road from his house. Mr Hooper was having a drink with a school friend, also a personal trainer, who was about to "do the grown-up thing" and study at university.

"I asked what she was going to do, and she said 'I'm going to study accounting.' I'm like cool, tell me about this 'accounting' thing," he said.

"Then she explained to me what accounting was, how it worked and why she wanted to do it and that's where I was hooked," he said.

True to form, his entry into accounting was non-traditional, but Mr Hooper didn't skip a beat in getting all bases covered with his education — including polishing off his high school education. Following that, he enrolled to study at the University of South Australia.

Before he was even a graduate, he was leaning on contacts in mid-tier firms to get into graduate networking nights. While he was still studying, he got a job as a junior accountant.

"But I didn't want to wait another four or five years to graduate, so I was quietly overloading with external night classes, summer break and winter break classes," Mr Hooper said.

"It was the midst of the GFC, I would have been two years into the accounting profession... it was a fight for your job type state.

"My response to this was double down, start earlier, work later, and work harder, harder, harder. That really shaped anyone who is 30ish and was in the finance space during that time. That was the shaping experience of your early career."

The tax guy

Fast forward to 2011, and Mr Hooper, together with one of his closest friends Markus Cirillo, started the accounting firm Cirillo Hooper & Company.

"He was a bookkeeper by trade working for his dad's business, his dad wanted to retire. I helped broker that succession arrangement and I went 'you're a bookkeeper, you need a tax guy.' I knew maybe I had a chance at cross-pollinating that client base, and launching a client base off the back of Mark's dad's bookkeeping practice," he said.

"The Cirillo family in Adelaide is notorious for accountants. And that was useful for me because they were a well-known family brand," he said.

Despite the very traditional accounting name, and what Mr Hooper calls a "hilarious" professional website, the firm was set on cloud accounting from day one.

"I started growing up and coming to a conclusion, 'Chris, you can't do this forever.' I just didn't want to be a crusty old half balding dude in a tank top and gym shorts"

"I found this sketchy kiwi start-up called Xero. No one had heard of Xero at the point that I was talking to them. I spoke to them, they were just so excited about their product and that someone wanted to hear about it. It just had that whole fresh start-up vibe and I was just in," he said.

The pair's friendship and working chemistry set the foundation for their future together as business partners.

"Markus is the guy that lurks in the shadows. He doesn't want the spotlight, he doesn't much care for it. We grew up together and every time we had a sketchy business venture, I'd be like 'hey Markus, can I borrow $2,000 to do this thing' and he'll be like 'yeah sure.'

"I'd give him $500 extra the next week and he was cool. And I always would, and he would always make money off it. The thing for him was that he always believed that I'd always make stuff work," he said.

Their firm had a steady flow of revenue, profits and clients. But the start-up vibe and the entrepreneurial fire that made Mr Hooper skip school at 17 to get a sort-of legal gym off the ground was lacking.

"Life was good, and I had a conversation with Markus. I said 'are we just going to make as much cash as we can until we get bored?' Or in my exact words, I said 'are we going to swing for the fences here?" Mr Hooper said.

"Markus paused for a second and said 'yeah, let's do it'."

Swinging for the fences

The "clinical definition" of Accodex, the firm Mr Hooper is now the chief executive of and started in 2015, is a market network.

Effectively, Accodex is a cloud-based platform, which allows freelance accountants to manage accounting tasks.

Mr Hooper has copped some criticism for his approach, but he — uncategorically — doesn't care. Revenue is on the up for the firm, but he's not at the point of profiting. This position doesn't surprise or intimidate Mr Hooper.

"I'm not going to be making profit for a long time. Every penny that comes in, I spend it," he said.

"I still earn $37,000 a year. It gets me my $5 hoodies, and my free beers and my free t-shirts and my free socks. Why wouldn't I bet the farm on something that I know is going to work?

"This is my life. This was kind of all preordained, and I've just stepped into it. It was my obsession in terms of research that led me to conclude that the model that we're running with Accodex is the model that is going to become the norm within the accounting profession in the next 30 years.

"I am staking my entire career on that assumption, and I can say this with a degree of confidence because I need to — I know I'm going to be right."

Read this article online at pubacct.org.au

"Being self-employed, I had to offer the professional community at large something else other than just a guy that was self-employed who knew a lot about many things. It was part of my identity to stand out with these qualifications so I pushed myself into that area"

A studious PATH

You will be hard pressed to find a better example of a lifelong learner than IPA member David Collogan who found his calling in a less than traditional way

by Jotham Lian

Name: David Collogan
Company: Solar Australia
IPA status: MIPA
Location: Newcastle

At the outset of his 50s, David Collogan hit the books in search of a master's degree and new opportunities in the Australian accounting space.

Now in his late 50s and armed with a Master of Commerce in Professional Accounting, Mr Collogan is the GM of Solar Australia, a role he had set his sights on from the early days of his career.

Mr Collogan, however, doesn't particularly want to be known as an accountant, "as strange as it may seem".

"I have a Master of Commerce and you would think that leans towards a CFO role, but it's a general manager role which is really what I've always had my sights set on despite having leaned towards all these accountancy type subjects," he says.

Member profile

A winding road

Mr Collogan's foray into financial services began in the banking and international trade finance sector.

It was during this time that Mr Collogan began his educational journey.

"I specialised through a TAFE course and did a banking certificate which obviously involves some accounting subjects and that went on for five years. After work, travelling from Sydney to the outer western suburbs, as soon as I got off the train, I'd go off to TAFE for two or three nights a week," he recalls.

"That aligned very nicely with my banking career because the TAFE certificate was very well-recognised back then, in the same way university degrees are held today.

"With study, you really got to run that parallel to your career and you should always try to get your study done by the age of 30 because by then your life with career, family and kids take over."

But life took an unexpected turn and after 19 years in the banking industry, Mr Collogan was made redundant.

"I absolutely loved my role in the banking and international trade finance area with business development, ongoing customer support, talking across lending and technical operations with international banking," he says.

"I actually loved that role, so when the bank restructured and made me redundant, it was crushing. I had to rebuild."

Following his redundancy, Mr Collogan decided to buy a franchise. The franchising model gave him a sense of security at the time and allowed him to run his own business, a departure from working for a big organisation for years.

The venture saw him uprooting his life in Sydney to move up north to Newcastle. He operated the franchise for a decade before selling the business and moving on to become a state manager with a registered training organisation.

After three years at the registered training organisation, Mr Collogan returned to self-employment, establishing Crystal Clear Business Support, a business aimed at helping small to medium-sized businesses with any particular pain points. He spent almost a decade running the successful company.

A classy approach

Around this time, Mr Collogan decided he needed to update his qualifications to further advance his career.

He signed up for the IPA program offered by the University of New England, beginning with a graduate certificate in public accounting.

He didn't stop there and his hard work has paid off, in the form of a Master of Commerce degree.

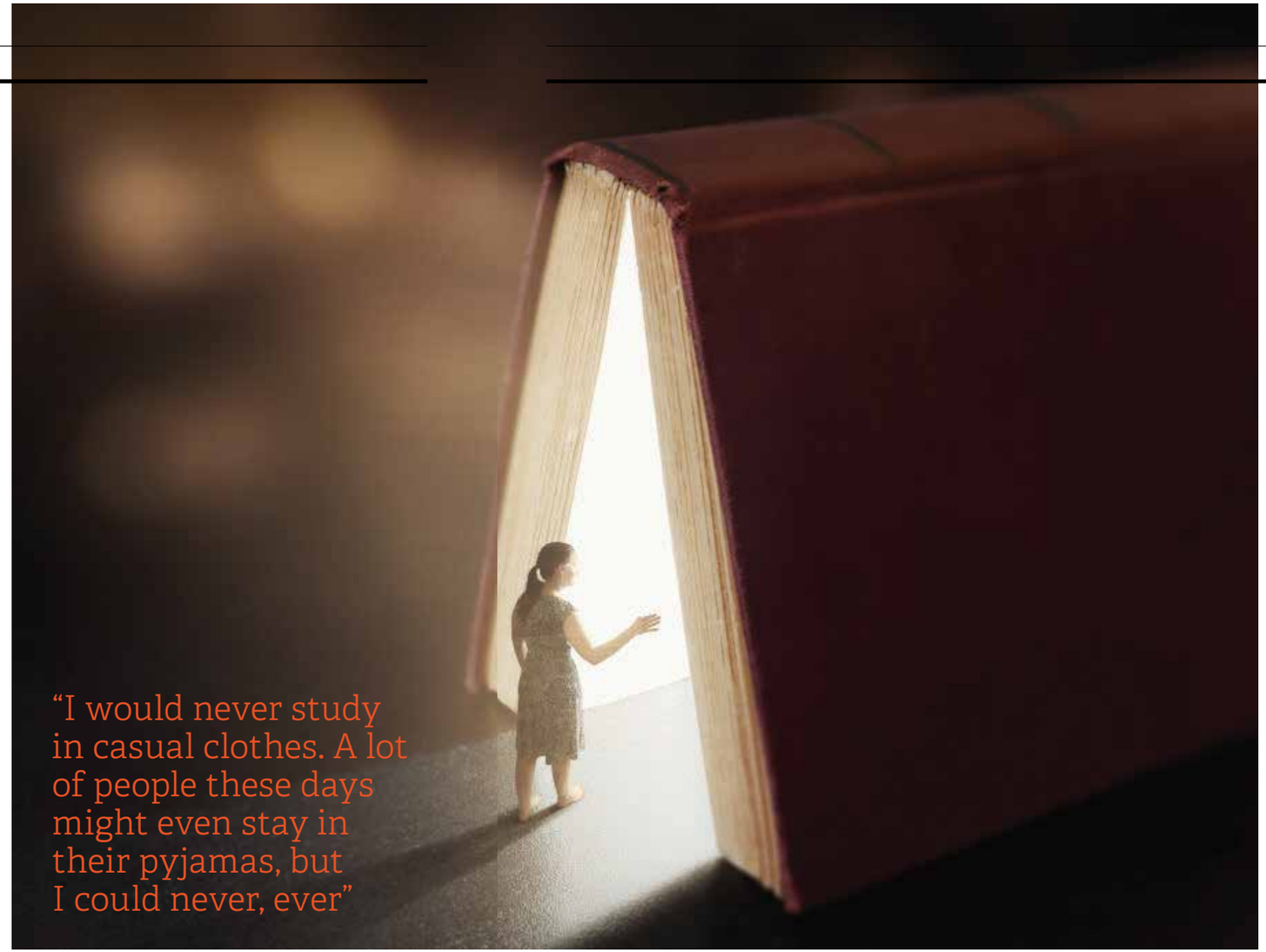
"When I finished my graduate certificate, I thought, 'Gee, I can just do a number of other subjects and complete my master's and it was a huge jump," Mr Collogan says.

"I'm not saying it was easy by any means but I had to do it because I had to reset my goals. Being self-employed, I had to offer the professional community at large something else other than just a guy that was self-employed who knew a lot about many things.

"It was part of my identity to stand out with these qualifications so I pushed myself into that area."

Mr Collogan describes the five years he spent juggling work, family and studies as challenging, made more so by the fact that he was studying through a correspondence program.

He says his ambition and discipline saw him through the harder days.



"I would never study in casual clothes. A lot of people these days might even stay in their pyjamas, but I could never, ever"

"I would never study in casual clothes. A lot of people these days might even stay in their pyjamas, but I could never, ever," he says.

"I would always get dressed up as if I was going to work and even though I was home, I was in work mode. I set myself goals to do certain things, but I would never have a relaxed atmosphere around me while I had work to do... particularly study.

"You've got to be self-disciplined and self-motivated. If you have those two things across your professional life, and even to some extent your personal life, you'll keep yourself in good stead moving forward."

In his last semester at UNE, Mr Collogan failed a subject by just two marks and had to wait six months to re-enrol. Determined not to drop the ball again, he learned from his mistakes, knuckled down and the rest is history.

Mr Collogan concedes that studying at a later stage in life is not for everyone, but he believes furthering his education as essential, especially as the accounting industry faces technological disruptions.

"You really have to adapt to the technology. You've really got to keep in touch with it. You don't have to be an expert in it, but you've got to keep in touch with it," he says.

"One of the things that study does is it forces you to keep in contact with technology. It forces you to change and it keeps your mind active and I guess it gives you a lot of confidence.

"It can be a hard chore, but it gives you a lot of confidence within yourself in your current workplace and to mix with others."

No regrets

Mr Collogan – who gained his MIPA status in 2014 – believes his membership with the Institute has significantly boosted his visibility in the business world.

"Professionally, in a very quiet sense, it [the IPA] has created quite an impact in my career and I think to be associated with the IPA is prestigious," he says.

He adds that signing up with the IPA was an easy choice, citing the appeal of its educational pathways and inclusive structure.

"Moving out of the banking sector, there was no real other professional sector to gain membership of. There's really no other body to recognise general managers or chief executives," Mr Collogan says.

Despite the long and winding road Mr Collogan has taken to become a general manager, he has few regrets about his career.

"It all kept me in good stead to sit in a general manager role because I know I have all the elements attached that I need to do my job in the sales, marketing, legal, financial, HR-type areas. I really enjoy having a variety of work," he says.

"Yes, I wish I could have stayed in the banking area, but life throws these things at you. I'm very happy at the end of the day now that I'm in a general management level, so all those pain points in those couple of lulls have now given me that opportunity to bring me to where I am today.

"There's a saying that Madonna keeps on reinventing herself, I think you got to do that particularly when you get older and once you're in the workforce.

"I'd love to do an MBA, but I think my wife would kill me."

The IPA is now offering a new MBA degree program with Deakin University.

Business building

A wrap of the latest strategies, insights and trends affecting your business, as well as your clients' businesses

Onboarding new clients – don't miss the opportunity

Unless you are in the enviable position of not needing to take on new clients, bringing new clients into the business is likely a key point in your marketing and business activities

by Sarah Penn

Sarah Penn,
director, Mayflower Consulting

The moment when an individual or a business moves from being a prospective client to being a new client happens only once, but an excellent opportunity here is often overlooked.

Maybe you are just relieved that they have signed up or maybe you have a million other things on your plate, but unfortunately it's common that onboarding is not conducted with the dedication and thoroughness that it deserves.

Step inside the mind of your new client for a few minutes. They have made the decision to change accountants or, less likely, to see an accountant for the first time. Everything that happens will be compared to their last accountant. They will be hopeful that they have made a good decision, but there might be a degree of buyer's remorse and they may be thinking, "Oh crap, the other guy wasn't much good, but what if this new one isn't either?".

The question is, what can you do to minimise any anxiety about the change and turn the client as quickly as possible from a newbie to someone who regularly refers you new business? Because really, that's the gold star opportunity. You want this person to become not only a loyal and happy customer, but to have them also become a customer who refers lots of other new clients to you.

If you can get your onboarding/referral machine working well, you will only need minimal marketing to grow your business. This is perfect as a) most accountants don't find marketing a fun part of their business, b) it's much cheaper and c) it takes way less time than a full-on marketing campaign.

Let's talk about what you can do to make this miracle of modern non-marketing a reality. You need to think through the ideal onboarding experience you want to offer your clients. Business improvement is a team sport, and you should ideally include the other members of your team in this discussion and make the most of their ideas.

The ideal experience will look different for different businesses. If you focus on high-net-worth clients and charge commensurate fees, your onboarding process might be quite elaborate, and may include taking the new clients out for lunch and meeting with other service providers that they use, such as lawyers and stockbrokers. You also want to make sure that the physical surroundings of your office match the service that you deliver, assuming that your clients come to you.

On the other hand, if your practice is focused on up-and-coming small businesses – that you are hoping will grow with you – your onboarding might be much more casual. Perhaps there is a particular business book that you like. You might send the new client a copy, signed by you, to say thank you for coming on board. You might also provide a checklist of 10 things that small businesses often get wrong when it comes to accounting. This would be a value add and also helps you get off on the right foot with the client.

If you are a suburban accountant and most of your clients are local businesses, maybe you can meet them for coffee at your favourite cafe. You might also consider who you already have on your books that you can introduce the new client to. Bringing people together is a great way to add value to the relationship right from the get-go.

As you can see, these are all quite different approaches. The important thing is to put yourself in the shoes of your new clients and think about what they might like. But that's only half the deal.

What's the other half, you ask? Well, it's the processes that you have in your business. You need to be clear on 'how things work in my business'. The fastest way to hitting a problem with a new client is not telling them how things work in your business. Despite this, it's uncommon to find an onboarding system that includes clear instructions to clients on how they can best deal with you and your team for maximum benefit and minimum stress.

Onboarding shouldn't leave anything to chance. You want your new clients to be 100 per cent clear about what they can expect from you, when they can expect it, the best way to get in touch with you, the types of issues you can help them with and your pricing structure, among other things.

Don't leave any of this to chance. It doesn't mean you need a 20-page legal agreement or a fancy PowerPoint presentation. But I would highly recommend having a standardised document that sets everything out. You can talk the client through the highlights and they will have the information at hand should they need to refer to it at a later date.

Another key factor of a fantastic onboarding experience is the actual meeting itself. (This is assuming there is one. The first time I spoke to my current accountant, it was on the phone and I was in a flap about the documentation required to set up my family trust. We didn't meet in person until months later.)

The meeting is where you can wow them with your sparkling wit, your debonair dress style and your fabulous office with water views. Remember that it's important to have a high-quality conversation that builds trust and sets up a strong foundation for your future relationship.

It's been said a million times before, but the most important part of a first meeting is listening carefully to what the client is saying and asking relevant questions. I think most accountants do a great job solving their clients' problems, but I'm not sure all accountants do a great job of truly understanding what drives their clients and what's going to be important to them in the future. Work on this aspect and you will be building much stronger client relationships that stand you in good stead in the future.

You might choose to record this conversation and have it transcribed so you don't have to write anything down during the meeting. Or, if you are like me, things tend to stick in my head better when I've put pen to paper so I prefer that approach. Either way, make sure you type up the key information after the meeting and enter it into your customer relationship management system.

Don't have a CRM? Get one. It's as simple as that. There are loads out there and it is so much better than using hard copy client files or relying on your memory. It makes your business worth more and everyone in your team can see the same information about each client.

I recently started using a system that reminds me to get in touch with people based on which category they are in. For instance, for people I have just met who might be potential clients, I have it set to 30 days. That way, I'm reminded automatically if I haven't spoken to them in 30 days. Works a treat.

A fantastic customer onboarding experience sets you and your new client up for success. With an organised onboarding system, each new client will feel highly valued. They will understand how your business works, and the long-term trust that is at the heart of any client-accountant relationship will have had a solid starting point. As they say, start as you mean to go on.

An important opportunity to grow the asset value of your firm

When the time comes to sell your firm, a quality prospect database is the equivalent of a council-approved granny flat in the backyard

by Sharon McClafferty

Sharon McClafferty, director, Slipstream Coaching

It will make your firm stand out from the pack, it has value and some buyers will consider it an income-generating gold mine. Gone are the days of "trust me, there's a lot of goodwill". Nothing proves goodwill and brand awareness quite like a sizable and frequently contacted database.

It is no secret that the accounting industry is not known for its marketing prowess and today's buyers of firms are not necessarily reviewing a prospect database as part of their due diligence checklist. The buyers of the not-too-distant future and particularly buyers who are outside the industry, however, may see significant value in such a list, especially if it is specific to a niche, and is well-managed and data rich.

We know that in other industries, databases are critically important to asset value. Facebook paid $19 billion for WhatsApp in February 2014, arguably for the size and quality of the database in a market it was targeting – being tweens to early 20s.

In business valuations, databases form part of the intellectual property of a business and a number of factors determine the possible value. Let's explore how an accounting firm can grow a prospect database that substantially moves the needle on valuation when it comes time to exit.

Like almost all strategies to maximise the value of a business, there are significant merits to this project aside from valuation. The most obvious reason to start, grow, maintain and interact with a database is to increase the client base and revenue. That said, even if you are close to selling your firm, it's not too late to start a database so the new owner can take the reins and make it rain.

To a potential buyer, the elements that might be important include how old the database is, where the initial list originated from, how often the database is contacted, how responsive the list is to marketing messages, the size of the list, the accuracy of the data and how relevant the list is to the target market of both the business that owns the list and any businesses the potential buyer also owns.

Quick start guide:

1. Clearly define what an ideal client looks like. The more detail you can add about this persona, the better. Of particular interest, when thinking about building a database, is where do these people hang out? What's their preferred social media? Who are the centres of influence you can connect with to get exposure to as many ideal clients as possible?

2. If you don't have a CRM already, choose an application that's user friendly. No need to invest in an enterprise version, there are decent options for a couple of dollars a month.

3. Add your current active clients with the tag 'client'. It is important to split your database into segments so you can send tailored marketing messages. Clients do not want to be treated like prospects so this is critical.

4. Add any previous clients you would be happy to have back or who might refer work to your firm and add the tag 'alumni'.

5. Download your LinkedIn connections list, remove any names that are not relevant to your business and add this list to your CRM with a tag 'LinkedIn'.

6. Grab all the business cards you have collected over the years. Don't forget the pile in the home offices. Ask someone else to check that the card data is still correct and add these to the CRM too. Sounds like a good job for extra pocket money.

7. Social media is a great way to grow your database, but it is not adequate to exclusively build your list on social media. Your Facebook community list is owned by Facebook, likewise Twitter and the rest. Devote some of your social media activities to bringing people back to your website and into your database. This is property you own, control and can sell.

Once you have your list, there are four elements to maximise the value of it, both immediately and for future sale of the business. Systematically nurture the database, grow the size of the list, increase the amount of data for each record and undertake activities that maintain the integrity of the data.

The most basic way to systematically communicate with your database is via a regular email. Some firms have cancelled their newsletter in favour of other regular segments, like a fortnightly business tips blog or a weekly financial freedom video. One firm that does this very well sends an email every Sunday night, without fail, on a business issue that they've dealt with during the previous week. This predictability and regular contact demonstrates that the contacts are happy to receive information from you as they haven't unsubscribed.

Other messages, campaigns and communication can be sent in addition to this and you don't need to only consider email. Depending on the target market, SMS and regular mail might also be valuable channels.

Having a number of repeatable strategies to grow the database with quality prospects is ideal. Social media activities, either organic or paid, that drive prospects to your website to subscribe can be a great way to target a certain buyer persona and even a specific issue that your ideal prospect may be experiencing. There are plenty of offline methods too, like attending networking events and conferences.

The amount of data you can gather will also play a role in how valuable the database is. Take Facebook's purchase of WhatsApp. It wasn't just the 450 million users, but the data that was known about these users that was valued. Start with the essential contact details, but add more data when you can.

For example, we add a flag when we determine that the person fits into one of our three ideal client categories – 'Ambitious Solos' for sole practitioners with more than $1 million in revenue, 'Happy Couples' for two-partner firms with significant respect at the partner level or 'Functioning Multis' for multiple-partner firms with $2 million to $6 million in revenue and a business manager or general manager. That way, we can tailor our marketing specifically to the needs of say, a multi-partner firm where the partners likely have varied ages and different growth objectives.

Importantly, it is critical to maintain the integrity of the data. Regularly clean the database, removing email addresses that bounce, deleting deceased records and updating contacts for people who have moved companies. Abide by data protection legislation and react immediately to data removal requests. Make sure to update prospects' data when they become clients and equally if they join your alumni.

When it comes to selling and buying accounting businesses, ego plays a significant role. It is said that many brokers would be out of the game if buyers weren't overly optimistic about their chances of turning a $1 million compliance firm in the suburbs into a diversified profit machine. Having a well-maintained, responsive database gives buyers another platform on which to project their future success.

Finally, if value is derived from the income stream that an asset can attain, then when it comes to a database, beauty is in the eye of the beholder. If you have an accounting firm specialising in dental practices with 1,000 dental practices in your database and the potential buyer is a firm also in that space, but in addition to accounting, they offer financial planning and property, the potential income stream from that database could be significant. Depending on the buyer, the database might transform from a granny flat to a block of flats.

Policies to assist in talent and future leader development

The accounting profession is currently looking to develop ways that will provide a truly flexible workplace that meets the needs of both older and younger staff members. What do you need to know?

by Tea Lehman

Tea Lehman,
group recruitment manager,
HLB Mann Judd

The challenges of developing a flexible working environment include – how to attract and retain talented younger staff who are unlikely to have the same long-term commitment to a job of previous generations; how to continue to engage and ultimately transfer the knowledge and experience of older staff who are approaching retirement; and how to meet the needs of those requiring varying hours or days of work in order to meet family commitments and achieve a work/life balance, particularly in a world where people are expected to be always available via phone and email.

These issues are especially pertinent in an environment where the traditional 'partner' model is no longer the primary driver for many staff or, indeed, firms. They also become more relevant for firms seeking to attract more women, particularly to senior level roles.

Fortunately, accounting firms are in a strong position to build the flexible working environments that will allow them to attract and retain the best people.

For instance, many firms already use an internal team structure which naturally allows people to play to their abilities and best utilise their experience and skills.

This structure also allows for a mentoring approach, where experienced accountants mentor younger staff, as well as reverse mentoring which enables senior partners to learn about new approaches and uses of technology which come so easily to Millennials.

Managing Millennials

Much has been said and written about Millennials – generally defined as those born between 1980 and 2000 – and their expectations and experiences in the workplace.

They are a generation that has never known a workplace without internet and email, that has never lived through a true recession in Australia and is comfortable with a public online life through social media.

A common cliche is that Millennials are demanding in the workplace and have high – and unrealistic – expectations of regular promotions and a pay rise every year, as well as absolute confidence (what some might call overconfidence) in their own abilities and skills.

Like all cliches, there are elements of truth in this generalisation, and accountancy firms must learn new ways of dealing with and responding to this generation – for instance, providing transparency around career pathways and opportunities for growth and development.

Millennials also offer potential advantages to the organisations they work for. Firms should look at ways of taking advantage of what Millennials bring to the workplace. For instance, younger staff are better at responding to change, by challenging processes, policies, programs, technology and being proactive in providing ideas. In today's ever-changing environment, this is a definite advantage and will help ensure accounting firms survive and continue to provide the best information to clients.

Transitioning into retirement

Developing approaches to help staff nearing retirement will also bring benefits to accounting firms.

For example, older staff have built strong client relationships, and have knowledge and technical skills that are extremely valuable. Ensuring a smooth transition into retirement is important for them and for the business, other staff and clients.

A good approach is to implement a mentoring program. We have found it to be one of the most valuable and effective development tools we can offer employees.

Some of the benefits for mentees include:

- Creating a friendly and constructive work environment that promotes learning and sharing;
- Developing and building younger staff through the transfer of knowledge, expertise and experience;
- Providing a clearer career path and helping identify growth opportunities; and
- Boosting motivation and enthusiasm.

Mentors also benefit from taking part in a mentoring program. It allows them to communicate their experience and skills to other staff, and see the value in the knowledge they have built up over many years. It also gives them the opportunity to review and develop their own goals and leadership approaches.

It can also help ensure that those who are close to retirement, and who may be starting to think more about life in retirement than their work, maintain their enthusiasm and interest in their role.

In addition, a mentoring program is a cost-effective way for firms to develop top talent and create a pipeline of future leaders.

Flexible working arrangements

Despite their differences, there is one thing that all generations seem to agree on – the value of having flexible working arrangements within an organisation.

The most common approaches used by accountancy firms include unpaid leave, a compressed working week, flexible start and finish times, and working from home.

We have found these to be highly valued by staff, and usually the main barrier to implementing such approaches is a cultural one. Support is needed from the leadership team if staff are to feel truly empowered to use these benefits.

For example, firms should:

- Ensure they have the technology and resources to allow staff to work remotely. For instance, using cloud software to access files and information, and providing technology devices that enable staff to attend meetings and training online;
- Give selected senior staff responsibility for championing flexible working arrangements and leading by example. This makes it more acceptable for other staff to use the policies;
- Provide the necessary training and support to managers to help them deal with a mobile team. For instance, put in place ways to measure output rather than measuring the hours that staff are at their desk; and
- Regularly update and inform staff about the policies.

Staff feedback

The best way, of course, to find out what staff want is to ask them. Seek feedback from employees through surveys, focus groups, team meetings and exit interviews. This will help you craft a benefits program that takes into account the needs of everyone as far as possible.

For instance, we have found that a voluntary benefits program helps increase employee satisfaction, particularly when the organisation pays for or subsidises it. Encouraging volunteer work also benefits the firm, as it can boost staff morale and facilitate strong team building.

Having a flexible workplace brings numerous benefits to staff of all ages and levels, and to an organisation as a whole, and those who aren't looking at such approaches will soon find themselves left behind.

Think digitisation is too hard? Think again

While talk of digitisation and automation abounds, the reality of how to fund and implement new technologies is often lost on business owners

by Jason Brouwers

Jason Brouwers
managing director, Cisco Partner Business Group

You've seen and read about the benefits that digitisation can deliver to your business, but your initial research has shown that you can't simply install generic software and watch your business become more modern, agile and competitive.

In fact, your business must overcome a series of barriers and transform itself before genuinely becoming digitally enabled. You need to change your culture, approach and technologies to place digitisation at the core of your business model.

The far-reaching change associated with this approach may not be easy to implement. For example, you may encounter resistance from longer-term employees used to doing things in a certain way.

However, taking the steps required to embrace digitisation will enable your business to connect people, process data and things to provide intelligence and actionable insights.

Better decision-making and streamlined processes

These insights and intelligence will inform decision-making that delivers positive outcomes for your business. You can also streamline and accelerate processes while increasing productivity by reallocating employees to higher-value work.

A lack of understanding in the small-to-medium business sector has demonstrated a reluctance to deploy transformative technologies, despite the rich productivity rewards they offer.

A recent Cisco survey revealed that only a low share of SMEs in Australia are properly harnessing true telecommuting technology and considerably less than half have the technology to allow employees to undertake remote working.

You may be tempted to put digitisation in the 'too hard' basket, but a head-in-the-sand approach will cause your business to lose market share and relevance to competitors that have embraced digitisation.

Cost and lack of expertise as top digitisation obstacles

So what are the key barriers that businesses like yours face in implementing digitisation? Some of the key obstacles are:

- The cost of using technology to adopt digitisation to the same level as larger businesses
- Lack of in-house technology expertise and resources

While most businesses believe increasing use of digital technologies would deliver benefits, nearly the same number feel it would be too expensive to use technology to harness digitisation in the same way as their bigger competitors.

Furthermore, about half of businesses feel they are restricted by a lack of internal expertise, research or knowledge. These barriers can limit small-to-medium businesses' ability to properly formulate and execute digitisation plans.

For example, more so than ever, business owners and managers understand that an increased reliance on digital technologies will also elevate the risk presented by a cyber security breach.

A recent survey conducted by Zurich found while SMEs are more aware of the cost and damage of such a breach, most are not doing enough to protect themselves.

So how can your business and others overcome these obstacles to realise the rewards of digitisation?

Tailored 'set-and-forget' solution can address these challenges

The answer may lie in deploying a tailored solution that packages the building blocks of digitisation for easy deployment and operation within your business.

This solution should allow your business to easily set up, manage and monitor new technologies; adopt a secure network and products that protect data, users and the business itself; and enable provisioning, reporting and insights across a range of devices from a single dashboard.

Those already harnessing the advantages of digitisation are enabling employees to connect while on the move or out at branch locations or sites.

They are also enabling employees to work with colleagues anytime from anywhere, co-ordinate and complete activities with extended project teams, meet online with customers and vendors, and compute securely with business and custom applications.

Considerable financial and productivity benefits

Embracing digitisation can unlock a range of benefits for SMEs, according to analysts such as PwC and Deloitte. Collectively, these include billions of dollars of private sector output, while individual businesses that lead in embracing digitisation can grow revenue, create jobs, export products and services and innovate at rates considerably faster than their less advanced rivals.

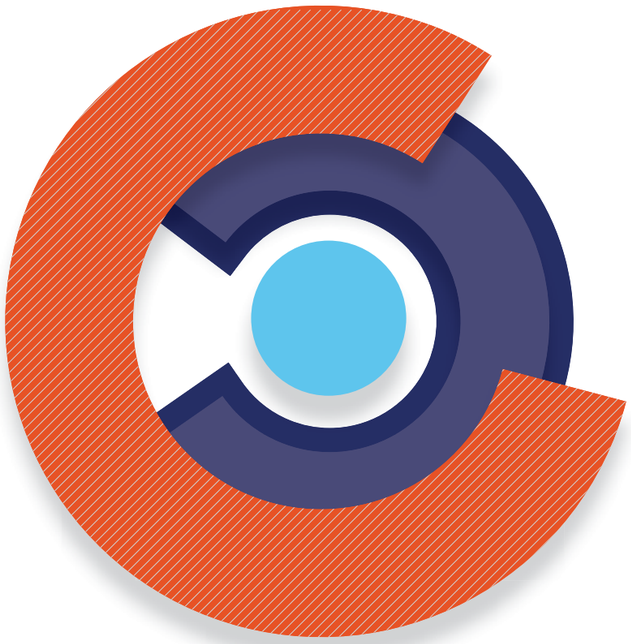
Furthermore, each step a business takes on its digitisation journey delivers measurable benefits such as revenue increases, growth in customer base and team expansion.

The advice for small-to-medium businesses, such as yours, is clear. Embracing digitisation to remove communication barriers between people, improve collaboration (which improves the quality of inputs and ultimately delivers better decision-making) and accelerate business, delivers measurable benefits.

You can provide a better experience for your customers, and engage your internal team more effectively while improving productivity and meeting the challenges of a fast-moving market.

360 DEGREES

Do you think that government regulation and red tape has increased in the last two years?



Timothy Munro

founder and chief executive,
Change Accountants & Advisors

Yes it has, and it's made it so much more difficult for accountants to help the mums and dads of Australia to get ahead and grow their wealth. A recent example is that giving any advice about superannuation now requires a fact-find process to be documented and then the preparation of a Statement of Advice. Many clients know exactly what they want and request us to set up a structure for them, but now due to new red tape, we have to slow the whole process down, prepare and charge for a Statement of Advice (that a client doesn't want and doesn't want to pay for), before we can start to move ahead with our client's instructions. Tell me – how is the client better off? They simply aren't. This is so frustrating, because some clients feel that accountants dream up all of the documents we have to give to them to simply charge them more.

Is this extra compliance and red tape really helping anyone? Definitely not – but it has spawned a new industry of compliance providers that add absolutely no value to the end client and make the costs of advice skyrocket up.

We'll keep working within the constraints and red tape imposed upon us, but it's so frustrating because with less red tape we could do so much more to help our clients. Helping people is what it's all about – and being prevented from doing this properly needs to be urgently re-examined.

Basilio Scaravilli

manager, entrepreneurial tax and private wealth,
HLB Mann Judd

We have not seen any reduction in regulation and red tape. Generally, each year leads to more regulation and red tape across all areas of our client base and our own business.

The main driver of increased regulation and red tape for business is taxation. This is particularly so in relation to superannuation and foreign investors/corporation.

There have been some changes that are welcome such as the simplified BAS but this change is more of a symbolic step for other than very small businesses, as most accounting systems are already set up for the existing GST reporting system. It's probably a bit too early to tell but I guess it's a step in the right direction in terms of reducing that compliance burden and red tape for small businesses.

The use of clearing houses for employee superannuation under the Super Stream regime has made life simpler for employers but there have been a number of examples of where employers have incorrectly calculated the amount of employee contributions required under the superannuation guarantee legislation which indicates that this legislation is causing more businesses to deploy more resources to comply with their obligations.

We recognise that reducing red tape is not easy as often making something simple makes it unfair but nevertheless a focus on reducing the compliance obligations on Australian business would be welcome.

Adrian Jenkinson

managing director,
SmartFee

Accountants constantly manage ongoing changes to the regulations that surround their profession and their clients which are set down by broad range government bodies including ASIC, the ATO and the AOIC (Privacy Act). It's fair to say that for the average accountant, regulation and red-tape are a constant and keeping up-to-date is necessary for them to ensure that they provide the correct advice for their clients and manage the risks associated with non-compliance.

From our discussions with accounting firms, the most significant issues around red tape revolve around interactions with the ATO. To be fair, the ATO is focused on streamlining and automating its processes, however, it is the accountants that often see the reverse impact as they support their clients to navigate through the changes and implement changes in their own processes and systems.

From our perspective, we expect the need for accountants to understand and interpret regulatory changes to continue and even increase as technology drives globalisation and evolution in business models. We would expect to see that industry specialisation will become more prevalent to drive scale across regulatory interpretation and consolidate business advice and guidance. There may be some relief through technology-driven solutions and we should see regulatory technology (RegTech) extend beyond its application to the financial industry and support professional services including the accounting industry. The bottom line for accountants though is interpreting and implementing changes in regulations and managing red tape will continue to be an ongoing part of the job description for the immediate future.

Mark Molesworth

tax partner,
BDO

Over the last two years, we've seen announcements of a number of new provisions that will lead to the increase of red tape in small businesses. Of particular note, two that will come into operation on 1 July 2018 – one of which is already partially in operation but will be expanded come 1 July 2018. The first of those is the taxable payments reporting system; it already applies to entities in the building and construction industry and requires them to report payments that they make to other entities within the building and construction industry to the tax office annually. The other announcement that will be coming into effect on 1 July 2018, is the single touch payroll.

In both these cases, the increased regulation is designed to provide better assurance that parties within the tax system are meeting their obligations, however it is coming at the cost of requiring participants to make sure that their systems are up-to-date, so that they produce reports that can then be provided to the tax office on a periodic basis which don't currently have to be provided. There's obviously a balancing that the government has made that says this increase in red tape is worth it for the improved compliance of taxpayers within the system. But certainly, from my point of view, it's not the case that the government is reducing red tape. It is my impression of the government announcements I've seen recently that have impacted me and my clients that red tape has increased rather than decreased overall.

Technical

Our technical section keeps you abreast of the regulatory, legislative and policy developments affecting the accounting industry

Technical | Reporting changes

Tax debt reporting changes ahead

Proposed tax debt reporting may have big consequences for some taxpayers, and it's vital that you're across the changes and the implications for your clients

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

As taxpayers, we are expected to pay our tax debts in a timely manner. Unfortunately, there is a sizeable amount of tax debt outstanding, mainly owed by small businesses. This can create an unfair advantage for businesses that do not pay their tax on time. This puts unjust pressure on operators who comply with their obligations.

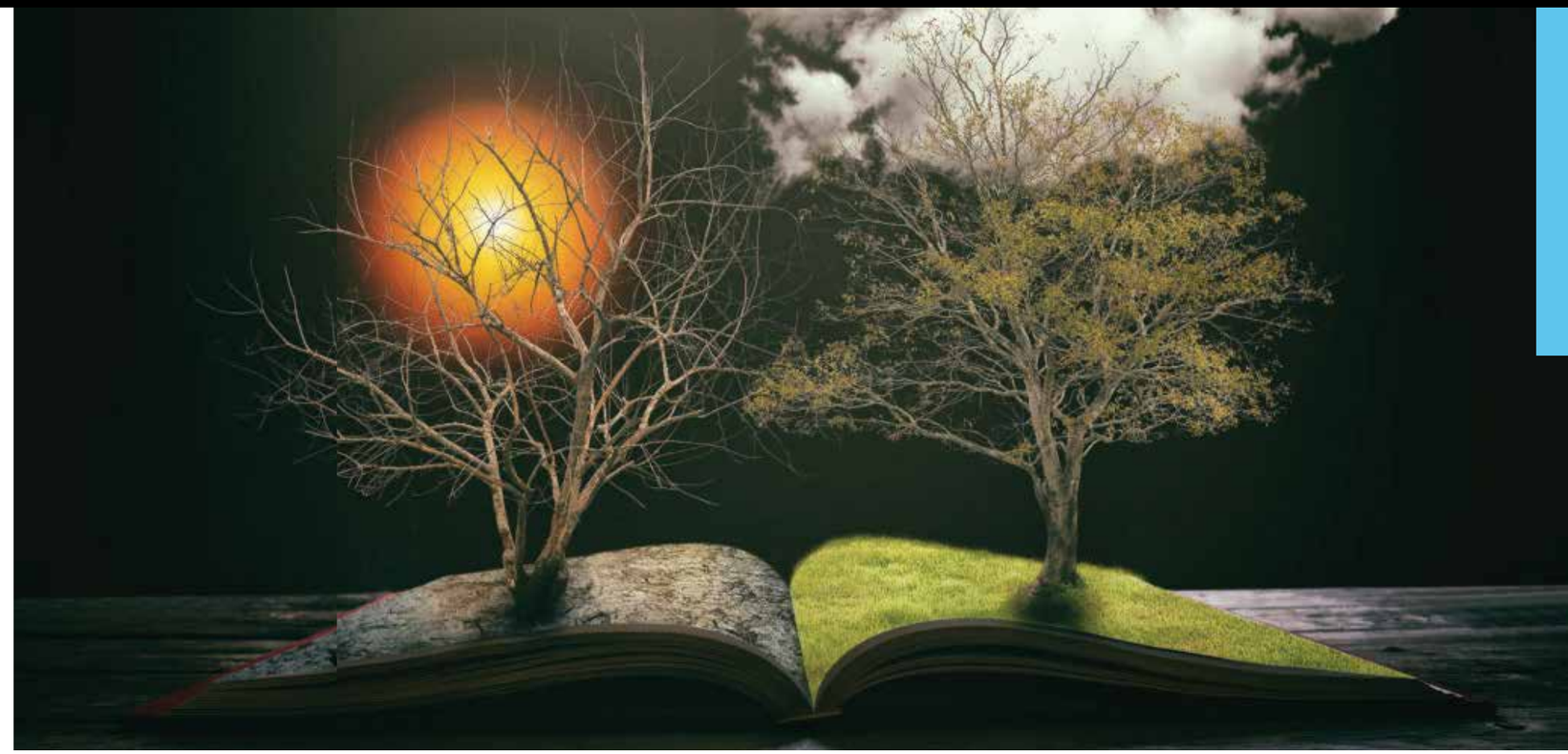
Currently, the ATO does not report such information to credit reporting agencies. However, it is not uncommon for lenders to request a copy of the clients' integrated tax account with the ATO as part of their internal credit application processes. If creditors or lenders rely on credit reporting information from third parties, tax debts can go unnoticed.

In an effort to improve the growing outstanding debt, the government proposes to introduce new legislation to allow the ATO to disclose to credit reporting bureaus (CRBs) the tax debt information of non-compliant businesses. This refers to businesses with debts outstanding beyond the designated time period and where the taxpayer has not effectively engaged with the ATO in managing those debts. It is the centerpiece of an effort to claim the $19 billion of overdue tax owed to the ATO. Small businesses with a turnover of $2 million or less each year owe around two-thirds of the total, which is around $12.7 billion.

This new initiative first surfaced late last year as part of the 2016-17 Mid-Year Economic and Fiscal Outlook. The specific circumstances and exceptions for disclosure have yet to be finalised and will be subject to public consultation and confirmed through the passage of law.

Thus far, only the broad parameters of this initiative have been disclosed. It is reasonably certain that the ATO will only disclose a business' tax debt information to a CRB if the business meets all the following criteria:

- It has an Australian Business Number;
- It has a tax debt of at least $10,000 that is overdue by more than 90 days; and
- It has not effectively engaged with the ATO to manage its tax debt.



The initiative will not apply to non-business taxpayers or to those businesses that have already engaged with the ATO regarding a plan to pay off the debt.

Businesses that effectively engage with the ATO to manage their tax debts will not have their tax debt information reported to CRBs. The definition of effective engagement will be subject to public consultation, but it is expected to include businesses that have established a payment plan or are disputing their tax-related liabilities before a court or tribunal.

The ATO will notify a business if they meet the reporting criteria, advising that they have 21 days to respond before their tax debt information is reported to a CRB.

The ATO will negotiate and establish agreements with CRBs to put in place the appropriate protocols and governance arrangements. A frequently asked question is – how long does the tax debt information remain visible on the CRB's reporting? The intention is to remove tax debt information once a business no longer satisfies the criteria for disclosure, such as when the debt is subsequently paid, is subject to a dispute or under a payment plan. The standard industry approach for defaulted debts to remain visible in credit reporting is generally five years. Once the debt no longer meets the above criteria, it will be removed as soon as possible.

> "It is imperative that advisers start talking to their clients to get them to actively engage with the ATO before the measure is introduced, especially if access to credit impacts on the viability of the business"

In conjunction with Treasury, the ATO is consulting with the community – including business, industry groups and associations such as the Australian Small Business and Family Enterprise Ombudsman – to ensure that the measure is implemented and administered effectively.

This proposed tax debt reporting may have significant consequences for certain taxpayers who rely on credit providers to finance their business activities. It is important that credit providers are provided with this information in order to properly assess the credit record of persons to whom they may be extending credit.

While we are broadly supportive of this initiative, the practicalities of implementing such a system will not be without challenge. It is imperative that advisers start talking to their clients to get them to actively engage with the ATO before the measure is introduced, especially if access to credit impacts on the viability of the business.

This initiative is squarely targeted at businesses that have not co-operated with the ATO. Addressing the underlying issue behind the tax debt should also be part of the exercise. Time will tell whether the increased disclosure will encourage small businesses to pay taxation debts in a more timely manner, to avoid affecting their credit rating.

Technical | Estate planning

Estate planning as a global consideration

How can you help clients undertake an estate planning process in the context of the demands of a global commercial environment?

by Geoff Stein

Geoff Stein, partner, Brown Wright Stein Lawyers

In its simplest form, estate planning requires these questions to be asked:

1. What are the assets that will be the subject of the plan?
2. Who owns the assets (or in the case of structured arrangements, how are the assets owned)?
3. Who is intended to benefit from the assets?
4. Who will supervise the implementation of the arrangements?

In a global context, three additional questions must be asked:

1. Where are the assets situated?
2. Where is the intended beneficiary resident?
3. Is the testator a person whose estate will be subject to tax in another jurisdiction?

Death duties

Before the abolition of death duties in Australia, estate planners primarily focused on schemes that enabled assets to pass from one generation to another without the imposition of death duties.

Residents of the United States, irrespective of their residence, remain subject to US income taxation and estate tax.

US estate tax was an issue, one of many issues, that was raised during the 2016 US election cycle. In simple terms, deceased estates that have a value in excess of US$5 million are subject to duty on 40 per cent of that excess. Individual states may also impose a death or gift duty.

In Australia, we are familiar with general anti-avoidance provisions. There is no equivalent provision in the US. The United States also does not have promoter penalty legislation. This means that many estate planners are myopically focused on tax schemes to avoid death duties, rather than the dynamics of the family in question for the long-term estate plan.

Attribution rules

Many families have children who have migrated either temporarily or indefinitely to a country that has death duty or stringent attribution rules. Attribution rules apply where the income of an entity – usually a company or discretionary trust – is attributed to a particular individual, irrespective of whether that individual has an actual entitlement to a return from that entity. In Australia, CFCs are a good example of this concept.

The estate planning for these families needs to be done carefully, so that the overseas individual is only taxed on the entitlement of that individual to income of a testamentary trust or an existing family trust, and the whole of the income of any such trust is not attributed to that individual for tax purposes.

It may be necessary to balance the risk of an avoidable tax impost against the certainty that the intended beneficiary will ultimately get the benefit of his or her respective share of the deceased estate, or in the case of existing trusts, the family's wealth.

Overseas property

Many clients will have assets that are situated overseas. The conflict of laws in the country in which the person who owned the asset was domiciled at the time of making the will – for us, this will usually be Australia or the state in Australia (Domicile Law) – and the country in which the asset is located (Situs Law), can be quite complex.

In the first instance, the applicable estate planning law will be the Situs Law. However, in many jurisdictions, the Situs Law will require a reference back to the Domicile Law to determine the relevant applicable succession principles.

Some jurisdictions may apply a death duty in respect of the assets situated in that country. Some jurisdictions may require the asset to be subject to the succession laws of that country. Some jurisdictions have limited testamentary freedom. In those countries, the law prescribes the basis upon which an asset must be devolved among the family members of the asset owner.

A solution to this problem is for a person to make a will that specifically deals only with the assets located in a particular jurisdiction. When it comes time to administer the estate, the foreign jurisdiction is only aware of the assets located in that jurisdiction and (unless the jurisdiction is the US which taxes on citizenship) any tax that applies will only tax the assets located there.

CGT event K3

In the Australian context, even where there is a simple will, a CGT event will apply where a foreign beneficiary is entitled to an asset of an Australian deceased person. If a deceased person owned real estate in New South Wales and a non-resident was entitled under the will to that real estate, then a CGT event happens just before the testator dies, even though the underlying real estate has not been sold to a third party and the capital proceeds may not yet be available in order to pay the CGT.

The best estate planning solution for this problem is to have the asset devolve to an Australian resident testamentary trust, which can hold the asset for the benefit of the intended non-resident beneficiary.

Who is a non-resident beneficiary?

If you are advising the trustee of an Australian resident trust estate, it is important to identify whether any beneficiary – or in the case of a discretionary trust, a person in respect of whom a trustee intends to appoint income – is a resident of Australia.

The definition of 'resident of Australia' is in section six of the *1936 Income Tax Assessment Act*. The basic tests are:

1. Does the person reside in Australia within the ordinary meaning of the word 'reside'?
2. Does the person have a domicile in Australia or should the commissioner be satisfied that the person has a permanent place of abode outside Australia?
3. Has the person been in Australia more than one half of the year of income (the 183-day test) or should the commissioner be satisfied that the person has a usual place of abode outside of Australia and that the person does not intend to take up residence in Australia? or
4. In the case of a company, was the company incorporated in Australia or does the company have its central management and control in Australia or voting power controlled by shareholders who are residents of Australia?

An Australian resident testator needs to have regard to these rules if intending to include a testamentary trust in his or her will. The trustee will be liable for the share of the non-resident beneficiary to income of the trust in any year. Even if the trust has income from foreign sources and appoints that income in favour of non-resident beneficiaries, the trustee may still be liable to tax on that income in Australia.

However, streaming of fully franked dividend income from a discretionary trust to a non-resident beneficiary may result in no further income tax or withholding tax being payable in Australia. Clients who are trustees of existing trusts should be encouraged to obtain proper advice before appointing income to a non-resident beneficiary in any year.

Help your client

In the modern global world, in order to prepare a proper estate plan, the planner needs to be alive to each of these issues that have an international aspect. As a trusted adviser, you need to help your client solve these problems.

Technical | Corporate Tax

New corporate tax rates – risks and opportunities

The new corporate tax cuts have been welcomed by the business community. However, the eligibility criteria and application of the new rates can be complex and the stakes are high for those who get it wrong

by Muhunthan Kanagaratnam and Chris Merjane

Muhunthan Kanagaratnam, partner, lawyer, Gilbert + Tobin Lawyers

Chris Merjane, partner, lawyer, Gilbert + Tobin Lawyers

Most people will have read the headlines – the small and medium business tax rate will progressively drop to 25 per cent over the next 10 years. The rollout is best demonstrated by the following chart:

YEAR	RATE	TURNOVER THRESHOLD
2015-16 (current law)	28.5%	$2 million
2016-17	27.5%	$10 million
2017-18	27.5%	$25 million
2018-24	27.5%	$50 million
2024-25	27.0%	$50 million
2025-26	26.0%	$50 million
2026-27	25.0%	$50 million

The legislation received royal assent on 19 May 2017.

The government is implementing the above turnover thresholds by changing the provisions in the Income Tax Rates Act 1986 (Cth) (ITRA). This is an interesting tactic as it does not involve referring to the definition of 'small business entity' in the current ITAA1997, meaning the commissioner has an indefinite period to amend returns in this regard.

Moving forward, entities eligible for the reduced rates are referred to as 'base rate entities'.

The above rates are available to companies only. Unincorporated small businesses are eligible to obtain the small business tax offset (under subdivision 328-F ITAA1997), however the offset is capped at $1,000. At this stage, the government has not indicated that it will increase the offset cap for unincorporated businesses.

What do I do differently?

In the 2015-16 income year, businesses obtained the benefit of the business tax cuts by ticking 'yes' to being a small business in their tax returns.

Similarly, it is expected that businesses must self-assess whether they are eligible for the tax cuts in the 2016-17 and future tax returns. Until the tax return templates are released by the ATO, it is uncertain whether businesses will have to complete a schedule calculating their aggregated turnover (similar to the current R&D tax incentive).

In any case, it is important that businesses, or their advisers, document their aggregated turnover and the methodology behind the calculation.

What if I get it wrong?

The implications for applying the wrong tax rate can be serious.

First, there appears to be no time limit for the commissioner revising your income tax rate. The normal time limits to income tax matters do not apply as they only limit the time for calculating your taxable income. The income tax rate is determined separately. Interest and penalties may also apply.

Second, applying the wrong rate can cause chaos for the franking account and franking dividends. This is explored further here.

What is a base rate entity?

Whether a business is a base rate entity depends upon two primary tests:

- That the entity was carrying on a business; and
- The entity's aggregated turnover was less than the prescribed threshold, in the relevant income year.

1. Carrying on a business

The carrying on a business requirement ensures only 'real' businesses are eligible for the concessions (i.e. mere corporate beneficiaries are unlikely to be eligible). It is not necessary to meet the stringent active asset tests which are required for other small business concessions. Accordingly, passive income businesses, such as property investors, should be eligible.

The carrying on a business test may cause issues where a company merely holds shares in a base rate entity (i.e. there is an interposed company between the trading base rate entity and the ultimate shareholders).

The interposed entity must pay top-up tax as it is not an eligible base rate entity.

2. Aggregated turnover

The aggregated turnover of an entity includes their annual income, plus the annual income of any entity they are connected with or affiliated with (only for the period of the year that they are connected or affiliated). It does not include amounts derived from dealings between connected or affiliated entities.

1. The annual income of an entity

Annual income is defined to include "the total ordinary income that the entity derives in the income year in the ordinary course of carrying on a business". Ordinary income means income according to ordinary concepts and includes non-Australian amounts (i.e. it's a global turnover test).

The annual turnover test only includes the income derived "in the ordinary course of carrying on a business". These words are narrower than section 6-5, and narrower than the tests considered under landmark cases such as Myer Emporium and Montgomery. It is arguable that extraordinary income, or any other type of income incurred outside of the ordinary course of business, is not included.

This may be helpful where a business has extraordinary income that may otherwise cause them to breach the turnover thresholds. Taxpayers should err on the side of conservatism, given minimal judicial precedence segregating the different classes of income, and seek further clarity – via legal advice or the ATO – where relevant.

2. 'Connected' with test

A corporate entity (holder) is connected with another entity (entity) if holder (or an affiliate of holder, or both) owns or has the right to acquire an ownership percentage (the control percentage) of at least 40 per cent of:

- Any distribution of income or capital of entity; or
- Voting power in entity.

If connected, holder would also be connected with anyone that entity is connected with and vice versa. In other words, you look through the ownership structure and aggregate all entities that have at least 40 per cent ownership in each other.

Where the control percentage is between 40 per cent and 50 per cent, the commissioner may exercise discretion to determine that holder (or an affiliate of holder, or both) does not control entity, but instead entity is controlled by another person. Discretion is obtained via a binding ruling. In practice, the commissioner has exercised this discretion where holder is a silent shareholder based on historic facts.

3. The affiliate test

The affiliate test is less black and white than the connected with test. An individual or a company is your affiliate if they act or could reasonably be expected to act:

- In accordance with your directions or wishes; or
- In concert with you in relation to the affairs of their business.

The affiliate test typically works one way. If you are an affiliate of someone, they may not be an affiliate of yours.

It is noted that an entity must be carrying on a business before they can be an affiliate. Arguably, a husband and wife who each passively hold shares cannot be affiliates of each other as they don't carry on a business themselves.

How to frank dividends?

Companies may frank dividends up to their corporate tax rate for the year at the time of the distribution. Even where a base rate entity paid tax at 30 per cent (i.e. in a prior income year), the maximum franking amount is their current income tax rate. There are no equalisation calculations as there used to be with franking credits for changes in tax rates, which would be an obvious solution.

Franking becomes confusing where a company issues a franked dividend during an income year before it knows its aggregated turnover, and therefore applicable tax rate, for that income year. The new law has mechanisms to deal with this through the new defined term "corporate tax rate for imputation purposes". Effectively, companies are allowed to assume their aggregated turnover will remain the same as the prior income year for the purposes of determining their tax rate for franking current year returns.

For the 2016-17 year, PCG 2017/D7 – which is still in draft – states that companies may inform their members of the correct franking credit to which they are entitled via a notice without reissuing the distribution statement.

The notice must contain specific details, see paragraph 12 of the draft PCG. The commissioner has stated that penalties will not be imposed in respect of the 2016-17 year where a company gives a member an incorrect distribution statement, provided it gives an amending notice.

Technical | Single Touch Payroll

The good, the bad and the ugly of Single Touch Payroll reporting

To avoid unwanted attention from the ATO and keep your clients above board, you'll need to be totally across the new Single Touch Payroll reporting legislation

by Jason Daniels

Jason Daniels, partner of business services, BDO Brisbane

Employers may have heard their payroll team throw around the term 'Single Touch Payroll reporting' (STPR) recently. The STPR legislation was part of the Budget Savings (Omnibus) Act 2016 that received royal assent in September 2016. However, employers are only now starting to recognise what this might mean for them.

The introduction of STPR will change the way employers report payroll payments to the ATO, including PAYGW and superannuation, by requiring detailed payroll information to be reported in real time to the ATO.

The STPR certainly has some administrative benefits, such as removing the need to issue payment summaries at year end. However, there are a few things that need to be in place before the 1 July 2018 compulsory switch takes place.

From 1 July 2017, any employer regardless of size will be able to choose to voluntarily adopt the STPR. However, from 1 July 2018, it will be compulsory for 'substantial employers' with more than 20 employees to use STPR. Once an employer is considered a substantial employer, if the number of employees decreases below 20 in a later year, it must apply to the Commissioner of Taxation for an exemption.

What's changed?

The main changes you will notice when adopting the STPR are:

- Ordinary time earnings, salary or wages and pay as you go (PAYG) withholding information will be reported and available to the commissioner in real time when payroll is periodically processed by the employer;
- Superannuation contributions will be reported to the commissioner at the time the contributions are paid on an employee by employee basis;
- Employers will have to acquire SBR-enabled software to comply with the obligations of STPR;
- New employees will have the option of completing TFN declarations and super choice forms online;
- The STPR reports for PAYG withholding will become the approved form for reporting PAYG withholding (currently this is the business activity statements or BAS). A failure to lodge in the approved form will attract an administrative penalty;
- Employers that have reported their PAYG withholding obligations via STPR will have their PAYG withholding pre-filled by the ATO on their BAS;
- However, the ATO envisages that employers will be provided with the option to pay their PAYG withholding at the same time they lodge their STP reports to further align the reporting and payment of PAYG withholding through the payroll system. That is, the amounts will be remitted earlier than is necessary under the legislation;
- Employers will no longer be required to submit an annual PAYG report to the ATO; and
- Employers may no longer need to provide payment summaries to employees, as the employees will have access to their payroll information via their myGov account. It is recommended that employees whose employers are changing to STPR set up a myGov account before the change takes place, in order to access to their salary information at year end.

What's remained the same?

- If the employer does not elect to pay at the same time they report under the STPR, there is no change to the due date for payment of the PAYG withholding liability. The payment cycle depends on the size of the employer. Large employers need to remit weekly, medium remitters monthly, small remitters on a quarterly basis; and
- Likewise, the STPR does not change the payment due date for superannuation guarantee, being generally on the 28th day following a financial quarter.

What does the future hold?

Recent recommendations to a Senate hearing committee have included mandating STPR across the whole economy and the current obligation to remit superannuation quarterly be amended to require remittance monthly. While there is no word yet on whether these will be formally adopted (or proposed timing), it is important to be aware that these recommendations have been made.

Pros and cons

The implementation of the STPR will effectively introduce a two-tier system of approved methods of reporting to the commissioner. This consists of the STPR for PAYG withholding and superannuation guarantee, while all other withholding amounts are still required to be lodged and reported through BAS, e.g. FBT and PAYG instalments.

While the STPR may alleviate some administrative burdens for employers and is promoted as a way of aligning existing payroll functions with reporting obligations, it remains to be seen how many employers opt to align the payment of their PAYG withholding with their STPR reporting dates after they consider the cash flow disadvantages.

A further concern is the expectation or assumption the STPR will mean that employees will be able to view their payroll-related information and annual payment summary online through myGov. This will require employees to set up an online myGov account, which is a further level of administration for both taxpayers and potentially their tax agents.

Once such an account is established for tax purposes, all tax-related information such as assessments notices etc. are routinely sent to the myGov account, rather than by post. If the employee has a tax agent, there may be further administrative problems as it will require tax agents to obtain these documents from their clients or check the tax agent portal regularly to see if any new documents are available, e.g. to check their assessments, which differs from current practices.

Moreover, STPR means the commissioner will have access to even more information to perform data-matching in determining if all superannuation guarantee charge (SCG) and PAYG withholding obligations are met. Any errors by employers using this system are likely to drastically increase the chances of an ATO audit or review.

However, it may be possible to run reports periodically from the new STPR software that show all the information that has been reported to the ATO, allowing errors to be identified in time to correct the amounts before the end of the financial year.

Before the compulsory 1 July 2018 start date, employers will need to ensure their payroll system is STPR-enabled to be compliant with the new law. This may involve additional cost for employers, particularly those that do not currently use software based payroll systems.

A range of payroll software providers are working with the ATO on product updates from 1 July 2017. To help with the transition to STPR, it was announced in the STPR media release by the Revenue and Financial Services ministry that the government will offer small businesses, with a turnover of less than $2 million, a $100 non-refundable tax offset for STPR enabled software. The offset will be made available for new software purchases or subscriptions made in the 2017-18 financial year.

What should accountants do now for their clients?

The message to clients should be that now is the time to review your current internal processes to ensure you are ready come 1 July 2018. Consultation with your software provider will form an important part of the review to confirm they have the capability to interface with the ATO's systems.

Accountants and business advisers need to ensure that their clients' current business practices are compliant with the various federal and state taxes that will be under the spotlight like never before.

It is anticipated that the ATO will start reviewing real-time data from 1 July 2018, so those businesses that have planned early will be well placed to avoid any unwanted attention from the tax office.

Technical | Tax transparency code

What the AASB's new Tax Transparency Code guidance means for business

Tax transparency – where are we at and what do you need to know in light of the new guidance?

by John Ratna and Jonathan Malone

John Ratna, partner, PwC

Jonathan Malone, partner, PwC

Increased scrutiny of corporate tax arrangements over the past few years prompted the federal government, via the Board of Taxation, to introduce a voluntary disclosure regime for Australian corporates called the Tax Transparency Code (TTC).

The TTC disclosures, which are tiered for large and small companies, ask businesses to explain their effective tax rate annually as part of increased corporate transparency.

Many Australian corporate tax payers, by total tax take, have adopted the voluntary code, which sets out principles of expected disclosure. However, limited guidance has been provided to companies in adopting the specified disclosures.

AASB's new guidance on effective tax rate for tax transparency code

The AASB released draft detailed guidance in May 2017 to help businesses meet the TTC recommendation for the suggested tax reconciliation and calculation of the effective tax rate – Part A of the TTC.

The AASB guidance is intended to supplement the TTC core disclosure principles. Critically, it is only in draft form and does not change or expand on the core TTC-required disclosures.

As it is only a draft release, further amendments may occur on finalisation.

Assisting businesses in meeting the TTC disclosure principles

The AASB guidance, which is contained in a draft appendix to the TTC, promotes consistency and comparability of key information about entities' tax positions – particularly their effective tax rate (ETR) relative to the corporate tax rate – and aims to help them communicate their tax information.

The guidance sets out the necessary disclosures to ensure interested parties can better understand the differences, if any, between the ETR under the TTC and the accounting ETR prepared in accordance with accounting standards. Further, the draft appendix sets out guidance in relation to the characteristics of useful information that entities should consider when applying the TTC disclosures.

The AASB guidance primarily supplements the Part A disclosures in the TTC around annual effective tax rates that apply to large (>$500 million Australian turnover) and medium (>$100 million Australian turnover) businesses. An outline of the guidance is below.

Reconciliation of profit to tax expense to be paid

Entities should:

- Disaggregate material line items adjusting accounting profit before tax to allow comparison with similar entities;
- Consider the nature and degree of detail to clearly explain the major line items;
- Consider whether the following enhances understandability and comparability:
  - Disaggregation of foreign and domestic line item disclosures and/or key balances, and
  - Disaggregation of recurring and non-recurring income tax adjustments; and
- Provide comparatives.

Depending on the extent of disclosures an entity may want to make, they should consider separately identifying the following:

- Income taxes paid or payable relating to foreign and domestic entities;
- Accounting profit before tax relating to foreign and domestic entities; and
- Recurring and non-recurring income tax adjustments.

Disclosure of Australian and global effective tax rates

If the TTC ETR differs to the ETR as presented in statutory accounts or ETR using non-GAAP measures, entities should do the following:

- Where the ETR is calculated on different bases, the entity should clearly define the basis adopted;
- Any adjustments made to the accounting ETR to calculate the TTC ETR should be explained and reconciled;
- Any key judgments made in determining accounting profit, Australian operations and the accounting profits attributable to those operations should be clearly disclosed;
- Any changes to the way in which the calculations have been made in the prior years should be clearly disclosed;
- The objective of any ETR, other than the accounting ETR, should be disclosed so that users can understand the difference between the non-accounting ETR and the accounting ETR; and
- Reconcile the TTC ETR and additional ETRs to the accounting ETR, explaining how any adjustments to the accounting ETR are consistent with the objective of the TTC and any additional metrics.

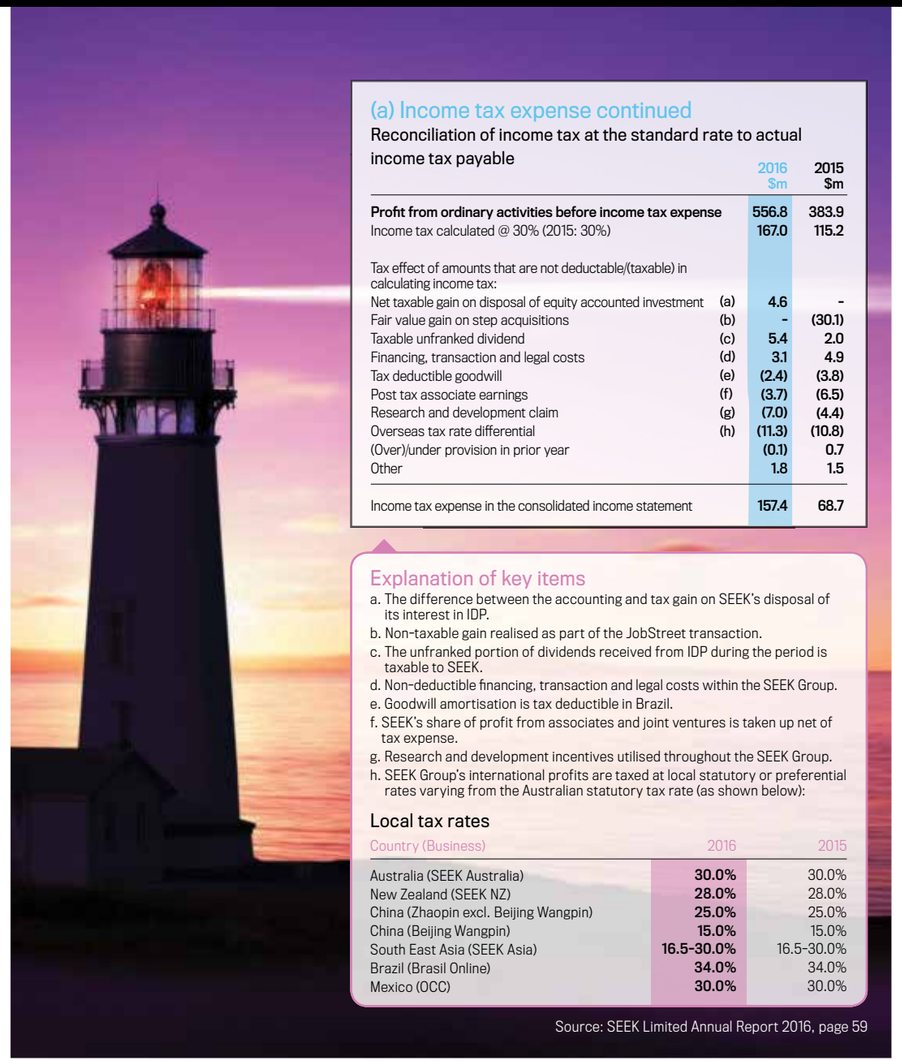
Tax transparency – Background

In the past 18 months, taxes paid have attracted global regulatory and media scrutiny.

From the EU decision to claim $14 billion from Apple to Australia's focus on introducing new multinational anti-avoidance laws to Australian Senate hearings, companies have faced constant scrutiny over their tax affairs. Media attention has been on transparency of tax contributions, particularly with the OECD focusing on multinational tax arrangements.

Globally, the starting point has been for companies to report taxes paid by country. With governments worldwide in budget deficit, what was originally simply a regulatory requirement for information has now become an issue of corporate social responsibility.

The Board of Taxation has been vocal in calling for corporates to adopt greater transparency in their tax disclosures. The TTC is a way to advocate for such transparency.



(a) Income tax expense continued

Reconciliation of income tax at the standard rate to actual income tax payable

		2016 $m	2015 $m
Profit from ordinary activities before income tax expense		**556.8**	**383.9**
Income tax calculated @ 30% (2015: 30%)		**167.0**	**115.2**
Tax effect of amounts that are not deductable/(taxable) in calculating income tax:			
Net taxable gain on disposal of equity accounted investment	(a)	**4.6**	**-**
Fair value gain on step acquisitions	(b)	**-**	**(30.1)**
Taxable unfranked dividend	(c)	**5.4**	**2.0**
Financing, transaction and legal costs	(d)	**3.1**	**4.9**
Tax deductible goodwill	(e)	**(2.4)**	**(3.8)**
Post tax associate earnings	(f)	**(3.7)**	**(6.5)**
Research and development claim	(g)	**(7.0)**	**(4.4)**
Overseas tax rate differential	(h)	**(11.3)**	**(10.8)**
(Over)/under provision in prior year		**(0.1)**	**0.7**
Other		**1.8**	**1.5**
Income tax expense in the consolidated income statement		**157.4**	**68.7**

Explanation of key items

a. The difference between the accounting and tax gain on SEEK's disposal of its interest in IDP.
b. Non-taxable gain realised as part of the JobStreet transaction.
c. The unfranked portion of dividends received from IDP during the period is taxable to SEEK.
d. Non-deductible financing, transaction and legal costs within the SEEK Group.
e. Goodwill amortisation is tax deductible in Brazil.
f. SEEK's share of profit from associates and joint ventures is taken up net of tax expense.
g. Research and development incentives utilised throughout the SEEK Group.
h. SEEK Group's international profits are taxed at local statutory or preferential rates varying from the Australian statutory tax rate (as shown below):

Local tax rates

Country (Business)	2016	2015
Australia (SEEK Australia)	**30.0%**	30.0%
New Zealand (SEEK NZ)	**28.0%**	28.0%
China (Zhaopin excl. Beijing Wangpin)	**25.0%**	25.0%
China (Beijing Wangpin)	**15.0%**	15.0%
South East Asia (SEEK Asia)	**16.5–30.0%**	16.5–30.0%
Brazil (Brasil Online)	**34.0%**	34.0%
Mexico (OCC)	**30.0%**	30.0%

Source: SEEK Limited Annual Report 2016, page 59

To bring the TTC to life, we've included an extract from SEEK Limited's 2016 annual report which breaks out the effect of foreign tax rates.

SEEK Limited shows the applicable statutory tax rate in each relevant foreign jurisdiction to help readers understand their global effective tax rate.

This expands on the single line in the consolidated income tax expense reconciliation being the overseas rate differential line item.

What should companies do?

Any company that has already adopted or is about to adopt the TTC should reassess their current disclosures using the AASB draft guidance when presenting income tax disclosures under the TTC for the 2017 and later tax years.

As the guidance is only in draft form, companies should carefully consider changes to existing public disclosure frameworks.

Additionally, companies that are thinking about implementing the TTC disclosures for the first time should take the additional guidance into account when presenting illustrative disclosures to management and audit committees for consideration.

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The following list updates the Membership Register of the Institute of Public Accountants. The board of directors extends congratulations to all new members and to those who have advanced in status

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IPA INSTITUTE OF PUBLIC ACCOUNTANTS

Head Office
Level 6, 555 Lonsdale Street, Melbourne
GPO Box 1637, Melbourne, VIC 3001
Phone: (03) 8665 3100
Fax: (03) 8665 3130
Email: natoffice@publicaccountants.org.au

Australian Capital Territory
Level 1, The Realm
18 National Circuit, Barton ACT 2604
Phone: (02) 6198 3362
Fax: (02) 6198 3232
Email: actdivn@publicaccountants.org.au

New South Wales
Level 10, 210 George Street, Sydney
Locked Bag A6090, Sydney South, NSW 1235
General manager: Patricia Michel
Phone: (02) 8262 6000
Fax: (02) 9283 8277
Email: nswdivn@publicaccountants.org.au

Queensland
Level 11, 300 Queen Street, Brisbane
GPO Box 2578, Brisbane, QLD 4001
General manager: Barbara Selmer Borchard
Phone: (07) 3229 3983
Fax: (07) 3229 8586
Email: qlddivn@publicaccountants.org.au

South Australia & Northern Territory
Level 2, 422 King William Street Adelaide 5000.
GPO Box 6368, Halifax Street, Adelaide 5000
General manager: Paul Zenkteler
Phone: (08) 8227 2255
Fax: (08) 8227 1211
Email: sadivn@publicaccountants.org.au

Tasmania
Level 1, 116 Bathurst Street, Hobart,
Hobart, TAS 7000
General manager: Jon Burns
Phone: (03) 6235 0600
Fax: (03) 6231 6076
Email: tasdivn@publicaccountants.org.au

Victoria
Level 6, 555 Lonsdale Street, Melbourne
GPO Box 1637, Melbourne, VIC 3001
General manager: Jon Burns
Phone: (03) 8665 3150
Fax: (03) 8665 3151
Email: vicdivn@publicaccountants.org.au

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PO Box 7309, Cloisters Square WA 6850
General manager: Kerrin Simmonds
Phone: (08) 9474 1755
Fax: (08) 9474 2911
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