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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

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inside

PAUL HOWES TALKS ABOUT MENTAL ILLNESS FROM THE STEELWORKS TO KPMG

Working for WELLNESS

Fatigue, feeling overwhelmed and being stressed on deadlines are seen as part and parcel of being an accountant. As a profession, it's time to set measurable targets to ensure we are working to live, not living to work

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by Jotham Lian

Another year, another fantastic and jam-packed National Congress. One of the key messages from this year was that despite a rapid pace of change, one thing remains the same — accountants as the trusted adviser. The year ahead is yours to grab, if you see opportunity in disruption.

Another priority item on your agenda should be the general wellness of you and your staff. We are proud to have found significant links between the improved mental health of clients when they engage an accountant, but we want to make sure you're taking care of yourself too. Take some advice from this issue's cover story, and evaluate your in-house support system to ensure you're set for 2018 and beyond.

Finally, while the nature of tax and compliance work continues to shift, it's certainly not going anywhere in 2018. In this issue we have a look at the changes still to come, and the fallout from those already implemented.

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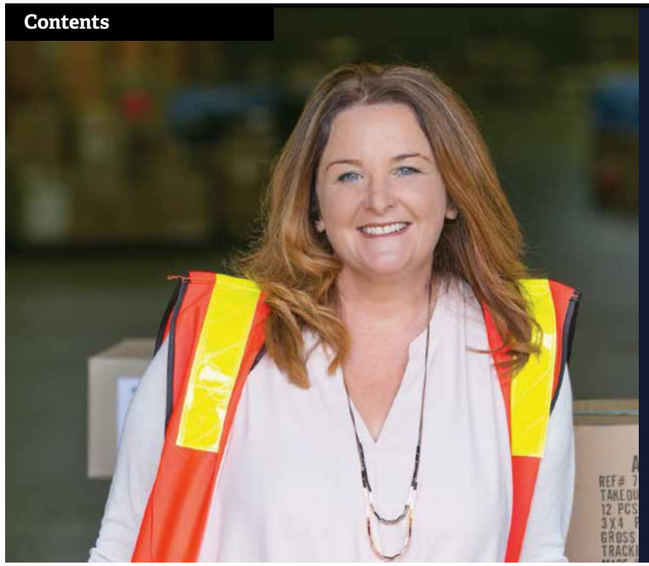

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Another year comes to a close

As we quickly head towards the end of another year, I am pleased to note that the IPA team has been extremely busy in the closing months of 2017.

Last month, I had the pleasure of attending the IPA's National Congress on the Gold Coast. From all observations and discussions I had with members, attendees enjoyed the spectacular venue, the educational agenda and social events. I am always impressed with the way the IPA team pull these high calibre events together and even as one finishes, preparation is underway for next year's event.

For those who did not attend this year's Congress, I am pleased to advise that next year's National Congress will be held at Doltone House, Darling Island, Sydney from 31 October to 2 November 2018. Pre-registrations have already opened, and I recommend that members avail themselves of the opportunity and get in early. Next year's event coincides with the World Congress of Accountants which will be held in Sydney from 5 to 8 November.

In other news, the IPA has been busily working with the Professional Standards Councils and I am proud to announce the expansion of the existing NSW Professional Standards Council Scheme into all Australian states and territories.

A Scheme is a legal instrument that requires the IPA to monitor, enforce, regulate and improve the professional standards of members. It identifies the IPA and members as recognised professionals who demonstrate a commitment to regulation under the professional standards legislation.

This is particularly important in a competitive market because it's increasingly difficult for consumers and governments to identify a professional from the growing field of people claiming to be a professional. This allows for better consumer confidence that the IPA members are operating to the highest professional and ethical standards.

The Scheme is a powerful tool as it protects IPA PPC holders from significant financial loss in the event a claim is upheld in court against an IPA PPC holder. The cap limits damages to $1 million.

As the IPA's Scheme has had to go through the state and territory governments, there are progressive start dates. Please contact the IPA offices if you want clarification of the specific dates in your respective location. At the time of writing, I can advise that Queensland is progressing but temporarily stalled during the caretaker period in the lead-up to the state election.

In closing, I want to thank all our loyal members for their support throughout the year and I wish you all a very happy Christmas and safe holiday period.

Damien Moore FIPA FFA

From the CEO

Small business on the road again

In my last report, I advised of our small business roadshow around Australia which was to help provide further insights of the current small business sector environment. This in turn has contributed to our ongoing research through the IPA Deakin SME Research Centre to form the basis of the second edition of the Australian Small Business White Paper.

When we first undertook this work to formulate the first edition of the white paper in 2015, it was recognised that Australian businesses were experiencing declining productivity and were going backwards in key indicator areas.

The recommendations that the IPA put forward in the first edition produced a number of policy successes. At the time this included the notion of a loan guarantee scheme which was adopted by the federal ALP and NSW government; a lower rate of income tax from small business (an IPA signature policy); introduction of crowd funding legislation; and, implementation of effective trade policy and utilisation of free trade agreements. This is in addition to the recent competition policy reform including s46 (misuse of market power) which has been a long-standing IPA policy push.

So, what have been the key findings from the roadshow?:

- Financial literacy: There is an overwhelming need for small business to improve its capacity and ability to undertake business operations; such as managing cash flow.
- Tax reform: This includes reform across all three levels of government. Throughout the roadshow there was wide-ranging debate over ATO systems, the role of the tax agent, and optimising the BAS process.
- Workplace laws: IR, HR, OH&S were amongst the issues dominating conversation as these elements all operate currently in a way which creates major disincentives to employ people; and, act as barriers to productivity and growth.
- Education and skills: Small business continues to be hindered by an overall lack of access to skilled workforce.
- Trust in government: There is a general lack of trust in government (all levels) and its ability to get things done.
- Regulator culture: There is a need to improve the culture of regulators to an acceptable level where it is seen to be helping, not hindering.
- Community attitude: There appears to be an increasing negative attitude towards all businesses in general.
- Mental health and wellbeing: Small business people need more support and there is also a rising concern of stress being transferred to advisers.

These findings will undergo further validation through our ongoing research and feed directly into the next edition of our white paper; the first draft of which has been recently completed with a final draft to be executed mid-2018. I am very grateful for all of the small businesses and our members who have contributed to this process.

As this is the last edition of Public Accountant for 2017, I extend my very best wishes to you for Christmas and a safe and prosperous 2018.

Andrew Conway FIPA FFA

Addressing the advice gap paradox

The advice gap is an opportunity for accountants to retain and grow clients

Many accountants were left reeling following the 2016 ASIC repeal of the accountant's exemption. It created serious upheaval for many accountants in how they a) provide product advice, and b) where they refer clients to ensure they receive the right type of advice for their situation.

The many investment advice scandals have made accountants think twice before referring clients to a financial planner. Despite accountants and financial advisers working in a similar sphere, more often than not they operate independently of each other. For an accountant, referring a client off to a financial adviser can be an unknown quantity.

This has created 'the advice gap' paradox. Accountants can't provide SMSF product advice and they're unsure how to help clients find good advice, particularly on the right investment strategy.

Your clients need advice

The 2017 Vanguard and Investment Trends report found that most accountants aren't planning to obtain a limited licence. A growing proportion are considering a relationship with a financial expert instead, however, investment advice isn't easy to do well. The last thing accountants want is to refer clients to a financial planning firm that could damage valuable relationships.

Accountants face twin concerns for clients who require investment advice. They want clients to get advice in their best interest and also ensure their relationship isn't tarnished by sending clients to a poor quality provider.

For accountants trying to close the advice gap, it's also important they have an understanding of the advice provided to their clients and how that impacts their tax situation. Typically collaboration between financial planners and accountants in this area has been poor.

The advice gap is an opportunity

The advice gap is an opportunity for accountants to retain and grow clients, particularly for those in the SMSF space.

The Vanguard report found over 277,000 (almost half of all SMSFs) reported having unmet advice needs with investment advice topping the list. A third (31 per cent) of trustees said they need more help selecting and managing their investments.

Out of the total pool of SMSFs only 214,000 used an accountant for tax advice, and of these, 60 per cent said they would use accountants for investment advice if they offered it.

Digital technology fills the gap

Accountants are arguably one of the greatest beneficiaries of technologies streamlining business functions that benefit their bottom line. The rise of online investment advisers (robo-advice) will be the next technological solution that helps accountants strengthen client relationships and become more valuable and efficient.

Robo-advice helps accountants refer clients to a licensed investment advice provider without losing their relationship or risking their client receiving unsuitable advice.

Companies like Stockspot are filling the advice gap for accountants with hundreds of accountants linked in to the portal. Robo-advice helps accountants retain client relationships because the entire advice, investment and portfolio management process is online. There's no need to refer a client off to an external provider with limited visibility.

Robo-advisers assess if a client should be investing (or paying off debt) and provide a personalised statement of advice (SOA). Clients get an investment that reflects their investment horizon, risk capacity and cash flow needs, which is updated regularly. Clients' money is invested into a sensible long-term portfolio of low-cost index funds (ETFs), there's no conflict of interest because Stockspot doesn't get paid by the product providers.

It negates the pressure for accountants to be licensed as Stockspot provides the advice (like a financial planner would). At the same time accountants have full visibility over the investment strategy so they can provide tax, structuring and compliance advice.

It's lower risk than a client picking direct shares and provides the opportunity for higher returns than leaving savings in cash.

Most importantly, it solves the compliance issues and ensures clients are getting access to sensible investment advice at a fair cost.

IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as association membership, wellbeing, and policy updates

Tax agent services claims

Three thousand dollars is not a lot of money, if you're looking at what an accountant charges for their time. You're not talking a large quantum of advisor fees to generate that spend.

– Tony Greco, *SmartCompany*

Legislation on competition law

These latest competition reforms and the landmark section 46 reforms need to be considered together. The reform package will collectively enhance the misuse of market power provisions and will have a real impact on the sustainability of small businesses across Australia.

– Andrew Conway, *Public Accountant Hub*

Small business mental health

Mental health for small business, as an issue, has almost reached epidemic proportions.

– Andrew Conway, Accountants Daily

Accountants good for mental health

It's important to make clear that it's okay to talk about mental health and wellbeing in a small business context; it's not a sign of weakness. It's symptomatic of where the mental health agenda is nationally. As a nation, we are destigmatising mental health and talking about it more, and that should extend specifically to small business.

– Andrew Conway, MyBusiness

Qualifying for corporate tax relief

General manager of technical policy at the Institute of Public Accountants Tony Greco welcomed the government's clarification, saying it would mean so-called mum and dad businesses held in a trust and with a corporate beneficiary would still be eligible for the lower tax rate.

– *Australian Financial Review*

Move to STP

Our concern is for the 70,000 small businesses that have been identified that will struggle to implement STP without help and support. Many of these businesses are not digitised and will require the adoption of technology and education.

– Andrew Conway, Public Accountant

Governments fail SMEs

There's a growing sense of cynicism... we've noticed around the country of small businesses saying to government broadly, governments of all persuasions at all levels, 'there [are] some key things we want you to do, just get on and do it'.

– Andrew Conway, MyBusiness

Member engagement changing

We recognise that sometimes technical accounting standards move on from community standards or vice versa, and you've got to move and adapt. That's what we've done and we'll continue to do.

– Andrew Conway, Accountants Daily

Accountants top mental health assessments

Providing opportunities for your team to maintain focus on the most important things such as health, wellbeing and family, demonstrates a genuine commitment to the people you work with.

– Andrew Conway, *Public Accountant Hub*

Reflection on members

It's in the profession's best interests for there to be a strong CPA Australia. So, I think you can park issues of competition at the door and really say, "Well, the profession's best served when CPA Australia is at its strongest." It hasn't been a particularly pleasing period of time.

– Andrew Conway, Accountants Daily

Housing tax measures

The Institute of Public Accountants' senior tax adviser, Tony Greco, recently told Accountants Daily that he believes these measures go against the basis of Australia's tax system. "The premise behind our tax system is the ability to claim an expense against the revenues, so what they're doing is they're altering that fundamental right," Mr Greco said.

– Accountants Daily

Low balance carve-outs for SMSFs

This whole-of-industry reporting adds substantial cost to fund members in pension mode with little benefit to anyone.

– Tony Greco, *Australian Financial Review*

On the ground with the CEO

The IPA's preliminary findings reveal more about the mental health of SME owners and the role that accountants play in this, and as Andrew Conway tells Katarina Taurian, some small business owners are on the brink of throwing in the towel

Katarina: The IPA recently surveyed about 250 SME owners about the impact their accountant has on their mental health. What results has this shown so far, and where to from here?

Andrew: The preliminary research was designed to see if we are on the right track, and to make sure that there's some evidence to help form a more rigorous research proposal in this area. We have just commissioned that.

> "Over a quarter of small businesses told us that if they knew then, what they know now, they wouldn't have gone into small business. That is quite alarming. That figure is quite an indictment on the economic and policy settings"

The initial responses are that around 68 per cent of small businesses surveyed say they are significantly stressed, and a similar proportion, about 69 per cent, say that their small business is the primary reason for this stress.

So, we see a good correlation between running a business and being stressed by it. Then, over 85 per cent say that engaging a public accountant reduces their level of stress in the business. So, it validates the trusted adviser position that members hold. Also, in excess of 93 per cent of small businesses rely on a public accountant for advice beyond standard compliance and tax-related advice. That's probably a little bit higher than we initially thought.

Flipping that around, we were

also surprised that over a quarter of small businesses told us that if they knew then, what they know now, they wouldn't have gone into small business. That is quite alarming. That figure is quite an indictment on the economic and policy settings.

Katarina: Is that figure directly related to their stress levels?
Andrew: Yes, the pressures of running a business. Over a third of them, about 35 per cent, say that they should've engaged a professional accountant earlier in the life of their business, but the balance of them say they got an accountant on board about the right time.

I suppose the way we crystallise these results, and what we say after dipping the towel in the water, is that we've got qualitative research we undertook at the small business roadshows, and we now move on to building a body of statistics behind the assumption that says – yes, small businesses are under significant pressure and stress. And running the small business is the primary cause of stress on the individual running it. Also, we should never underestimate the role that public accountants play in reducing levels of stress. That's the direct social impact of the work we do.

We've now commissioned a very detailed look at the mental health question in relation to small business, and the effects the accounting profession has. We have commissioned that through Deakin, and it's looking at a significant body of work that has never been done before. It'll be a significant deep dive on the public accountant's role.

The outcome of all that will be that we'll have a significant body of academic research that will then guide practical application for the profession. What will that mean for us as a professional accounting body is it will help form our strategies and provide members with tools to manage clients at risk.

Katarina: These results paint a bleak picture for the economic setting in Australia – what does it say to you about the environment for small business growth?
Andrew: I think it's a sad indictment. It's really tough and it's getting tougher. We found similar parallels in the UK, where the regulatory environment can be really tough for small business.

For example, in the construction industry, issues around occupational health and safety compliance can be crippling. One small example and anecdote was a member who told us they had a client who was in construction who called one day to say he couldn't make his appointment with the accountant because his occupational health and safety rules meant he couldn't drive a work vehicle when it's raining. That was a compliance requirement with that employer because they'd had an employee who'd previously gotten out of the car and fallen over and sued the company and so forth.

With examples like that, you can see that the pendulum swung too far back. It needed to return in terms of being in favour of employees, but the feedback our members have provided us is that it's swung back too far and it does need to be addressed.

Katarina: What does this research do to your advocacy efforts, I imagine it would amplify the urgency of some items you've been pushing with government?
Andrew: Well, one of the things that it points to is government getting out of the way. And that's government at all levels and, again, we're being reminded of the fact that regular pressures faced by small business are not necessarily totally driven by the federal government.

So, what we're trying to do out of this is, first and foremost, raise the awareness that small business is doing it tough. And that there are people who are facing significant mental health challenges. And then, look at how we integrate strategies around small businesses dealing with mental health, or mental ill-health, into a broader discussion on community health and health funding.

That's where we want to take the discussion, to more of a policy-driven outcome, to make sure where there are programs available to assist people with mental ill-health that we are taking into account specific programs for small business owners. And at the moment, they are very, very difficult to find.

Paul Howes, KPMG partner and beyondblue director

One-on-one with Paul Howes

Paul Howes speaks to Katarina Taurian about the confronting experiences with depression and anxiety he has witnessed during his time as a union boss and a KPMG director, and what SMEs can do to support their staff

Q. Why did you join the beyondblue board?
In my role as secretary of the Australian Workers Union, I had exposure to the way that mental health issues were being dealt with in the workplace. More broadly, I had worked with [previous beyondblue chair] Jeff Kennett, and we had debated each other when I was in politics. Jeff knew my interests and commitment to the issues. He asked me to join the board to continue to provide my insight and interests in addressing the issue.

Q. What have you learnt about mental health in Australia that you didn't know before you joined the board?
beyondblue's principal purpose is to reduce the stigma that exists in our society around depression and anxiety. I think as a country we have made progress around that. We are still a long way off being able to openly talk about not just the stigma, but the root causes of depression and anxiety, and being accepting of the numerous treatment options that are there for people who are suffering.

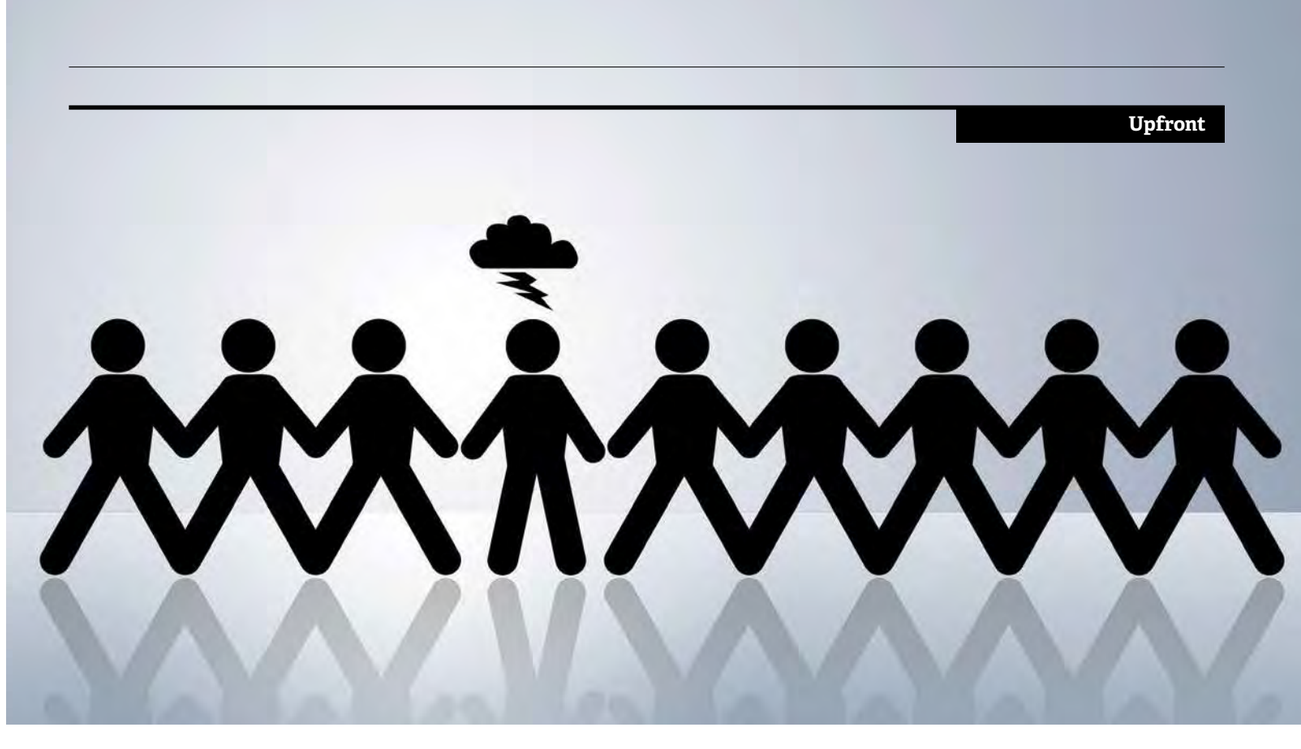
We are also a long way off understanding that this is not a small minority of Australians who deal with it. The fact is, it is so prevalent across our society, there's really nobody that it doesn't touch. Understanding the scale of the challenge that we face as a nation is probably one of the most daunting things that I discovered upon joining the board.

Also, it's daunting to see the abnormally high instances of depression and anxiety that can lead to some pretty catastrophic circumstances for some of our minority groups. That also surprised me. So, the prevalence of depression and anxiety with the LGBTI community, for example, and the prevalence of depression and anxiety with Aboriginal and Torres Strait Islander communities were things that really horrified me. I was aware of some of the instances in middle-aged males in regional areas, which was one of the issues that came to my attention when I was leading the AWU, but some of these other areas I wasn't aware of.

Some of the things I've been most proud of during my time at beyondblue has been the work that we've done around the role of unconscious bias or discrimination. Racial discrimination can have a big part to play in causing depression and anxiety in Aboriginal and Torres Strait Islander communities. Also, it's so important to understand the unique circumstances and role that depression can play with the LGBTI community in Australia. In addition to the plethora of other programs running at a particular time at beyondblue, these really hit home with me.

While I've got an incredibly busy schedule at KPMG, my work with beyondblue is still one of the things I enjoy doing most in my life.

Q. You've been with KPMG since 2014, by contrast, do you think those in professional services know where to go and what to do when faced with depression and anxiety in the workplace?
I think many organisations in professional services have been really good at educating their workforce around the issues of mental health in the workplace.



Certainly at KPMG, there are a number of wonderful programs that assist our team with raising these issues and knowing when to seek help.

I still think we are a long way from being in a great space around that nationally, as a country. And just because you work in a professional services firm as opposed to in a steelworks doesn't necessary mean that you'll naturally have more support in dealing with these issues. I think that the most progressive, forward-looking employers are looking at what type of programs they can run to deal with these issues and provide help and educate their employees around how best to seek help. A number of professional services firms are leading the way on that, but as a nation we still have a long way to go before we can say job done.

Q. Do you think depression and anxiety translates differently in professional services to other sectors?
Broadly speaking, in my previous working life at the AWU, I dealt with unfortunately numerous instances of members of mine taking their own life due to issues associated with depression and anxiety. The thing about it is it doesn't discriminate. It doesn't pick a particular socio-economic class, it doesn't choose a particular industry, it doesn't choose a community, it's prevalent right across our society.

Whilst there are instances of some socio-economic groups or some particular minority groups, or particularly professionals being more susceptible to suffering from depression and anxiety, this is an issue that is right across our society. In my professional life, my work in the sector provides me with an insight into just how prevalent and widespread the issue is, and how far we have got to go as a society in addressing it.

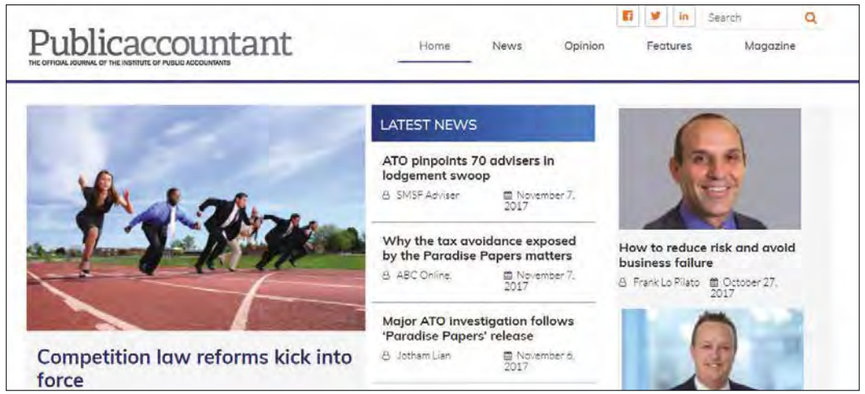
I think that forward-looking employers can play such a critical role in addressing these issues, because we spend so much of our lives in our offices, so much of our lives with our colleagues, and in many instances, unfortunately for some people, far more time with our colleagues than we do our families.

> "As a nation we still have a long way to go before we can say job done"
>
> – Paul Howes

Q. Do you have any advice for firms who don't have the resources of a firm like KPMG?
beyondblue runs a program of support for SMEs, and it's long been a priority for beyondblue to ensure that our programs are spread out equally not just across big business but across the SME sector – to include the huge number of Australians who work in an SME environment either as owners or as employees themselves. I think that beyondblue's programs, in conjunction with the federal government, are getting to the point of being successful in being able to address some of these issue and concerns. This is all great, of course, but as a nation we still have a long way to go.

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



Accountants and auditors come under ASIC's 17/18 spotlight

ASIC has published its business plan for the current financial year, outlining its renewed compliance focus on accountants and auditors, as well as their role in illegal phoenix activity.

ASIC's business plan follows its corporate plan, which is a four-year rolling plan aimed at explaining the corporate regulator's strategy in achieving its vision of "what good looks like".

Continuing on from its 16/17 plan, ASIC will continue its crackdown on accountants who have entered the financial advice industry and are providing unlicensed financial advice.

Accountants who are in the SMSF space will also be reviewed for their "legal compliance with their best interest duty in providing advice to consumers who set up an SMSF".

Auditors will be subject to checks on their audit quality, with a focus on asset values, revenue recognition, firm culture, sufficient audit evidence, application of professional scepticism and use of experts.

Large audit firms will be particularly under surveillance to ensure quality does not drop as a result of the volume of work.

Major ATO investigation follows 'Paradise Papers' release

The ATO says it has been investigating possible Australian links to tax avoidance for several months following an exposé by the International Consortium of Investigative Journalists (ICIJ).

Dubbed the "Paradise Papers", 13.4 million records originating from global offshore law firm Appleby, Singaporean firm Asiaciti Trust and 19 corporate registries, were obtained by German newspaper Süddeutsche Zeitung and shared with the ICIJ.

The ATO said it had been working closely with partner agencies both locally and overseas for several months in anticipation of the data release by the ICIJ, and was analysing the data for possible Australian links.

"We anticipate further data may be published by the ICIJ and the ATO will continue to work closely with other tax administrations to share intelligence on advisers operating globally," said ATO deputy commissioner international, Mark Konza.

Mr Konza said the ATO is urging Australians who may have undeclared offshore income to contact the ATO and make a voluntary disclosure.

"We know and trust that most people do the right thing, and that many taxpayers identified as part of the leak will be meeting their Australian tax obligations," said Mr Konza.

"However, we investigate all leads and have the resources and expertise to take action against taxpayers or intermediaries found to be caught-up in the illegal use of offshore structures or providers."

Accountants top mental health assessments

Accountants have the lowest rates of depression compared to other professional executives across 20 industries, but lag behind on physical health and lifestyle factors, according to a new health benchmarking report.

The inaugural Executive Health Index examined executive level professionals from over 500 Australian organisations across 20 industries, with data from 30,000 medical assessments used to track the health of each sector.

Accountants placed fourth for overall health based on data from 28 health parameters across four main indices; psychological, medical, physical health and lifestyle factors.

The overall health ranking was topped by the legal, banking, and professional services and consulting industries.

Accounting executives fared the best in psychological health, and topped the charts following results from the DASS21 Depression, Anxiety Stress Survey and the Epworth Sleep Questionnaire.

Despite scoring well psychologically, accountants fell behind on lifestyle factors – including exercise levels, nutrition, smoking and alcohol consumption – coming in at seventh, behind bankers and lawyers.

Accountants also fell outside the top five for physical health – consisting of waist measurement, BMI, abdominal strength, lower back and hamstring flexibility, and cardiovascular fitness – coming sixth in the rankings.

Member snapshot:
Shamil Samji

Tell us a bit more about yourself

I am the managing director at NextGen Super – an SMSF specialist accounting and compliance practice. We primarily assist financial planners and accountants in managing their client's SMSF accounting and compliance obligations. My passion is everything SMSF and helping clients navigate the complexities that are inherent with SMSFs and its legislation and regulations. This has become even more important since the introduction of the major changes to the superannuation system from 1 July 2017.

How did your journey in accounting begin?

Accounting runs in my blood so it has been a somewhat natural transition for me. My father was an accountant who began his career at Deloitte in Johannesburg. Many years later, after graduating from university, I joined Deloitte in Sydney as a graduate. Since then, I moved to AMP as a superannuation accountant and then became a product manager, within the funds management industry, until finally settling into public practice.

What led you to the IPA?

Prior to joining the IPA, I was subscribed to their regular emails which would detail the numerous workshops and CPD seminars that they would regularly provide. I found each of these workshops and seminars to be incredibly enlightening and practical; it provided many skills that a public accountant could incorporate into their practice. It is also clearly evident that the IPA places its members' best interests at the forefront of everything they do. After all, it's not every day that the chief executive of a large institution calls you to personally welcome you on board!

> "It's not every day that the chief executive of a large institution calls you to personally welcome you on board!"

What drew you to your field of speciality?

My career in superannuation and SMSFs was made by accident. Prior to joining Deloitte as a graduate, I spent six weeks at Deloitte in my penultimate year at university as an intern. When an intern starts up at Deloitte, and depending on which division they are placed in, you are normally allocated to either tax or audit. After starting in tax, I was sat next to a director who oversaw the small SMSF team. Here, I initially spent the vast majority of my days photocopying documents, until the director kindly took me under his wing and introduced me to the wild and wonderful world of superannuation. The rest, as they say, is history.

What are your plans for the future of your firm?

Over time, I noticed my clients ask me about obtaining finance and lending to purchase investment properties within their SMSFs, or if I knew anyone who could assist them in refinancing their loans to obtain a more favourable interest rate. I quickly came to the realisation that accounting and lending were highly complementary services. As a result, I obtained my mortgage broking accreditations and now provide this service to a wide variety of clients; who appreciate the extra value-added service that mortgage broking provides.

Any advice for emerging accountants?

Stick with it. There will be dark days, but accounting can be an incredibly rewarding career if you let it be. Accounting no longer symbolises sitting behind a desk crunching numbers but instead relies on building strong and lasting relationships. Remember, clients are looking for a trusted adviser, not a faceless number cruncher. With cutting edge technologies that largely automate many compliance processes, it has become more important than ever to develop your skills, network and invest in long-lasting and value-adding relationships.

How to write a winning awards submission

Winning or being shortlisted for an award can have business benefits, but it can be hard to market yourself in a submission. Here are some tips on catching the eye of a judging panel

Julia Newbould,
content and Stella Network lead,
BT Financial Group

by Julia Newbould

As a judge at the recent ifa Excellence Awards for financial planners, I thought I would share my thoughts on what makes a compelling award submission. There are universal lessons in my experience for accountants also.

There were several judges in each category. Some of us were experts in the category and purposely, some of us weren't, to help give diversity of thought.

I have been a judge several times before – once even at a Miss Coyote's competition, although it was some time ago. Each time I have learned a lot – from the applicants, about the applicants and also from the judging process.

Entering awards is not for the faint-hearted. They are tough work. And I have been fortunate to have read many great, thorough and well considered submissions. Often several hours of preparation go into the collation of facts, figures, testimonials and supporting material. And then there's writing the submission, which is a craft in itself.

There are many advantages to entering awards. Firstly, you've got to be in it to win it. In fact, this is why in financial services there are now award programs dedicated to females. If they didn't exist, females just wouldn't enter them.

Secondly, it helps for you to honestly review your business and offering against your peers. It might help you to see any gaps in what you're doing. It also gives you an opportunity to swap ideas with your industry colleagues and build your profile.

Being recognised, whether by shortlisting or a win, can provide a number of benefits – comfort and satisfaction to you, and recognition among your peers, the industry and from clients.

Based on my experiences, here are five tips to help deserving nominees become winners.

1. Be humble and thorough

Assume no one knows you or your business and who you are. Starting at this level, clearly explain why you are worthy, even if you do have a profile. Remember, your submission could be judged by someone who doesn't know anything about you.

2. Answer each question carefully

Answer each question fully. There is usually a shortlisting process that is undertaken before you progress to judging. Don't leave anything out in your answer that could be the difference between making the shortlist and being left off. And, when you finish your answers, read them and re-read them to make sure you are satisfying the question.

3. Provide additional material when you've been asked

If you've been asked for testimonials (and sometimes even if you haven't) or proof of your skills, provide them. Make sure that the testimonial provides what's needed to support your submission and claims. If you say that you are a thought leader in the industry, reference or include contributions you've made to articles, columns or even keynote addresses and presentations.

Assume that judges don't have time to search for your published work, interviews or public addresses. If you think it will support your application – include it! Make it easy for the judges to see how good you are.

4. Star quality

Awards are very competitive and you may be surprised to know how close some of the nominees are. If you can provide the 'X Factor', that something extra, that will set you apart, you might give yourself that edge into the winner's circle. This might be a pro bono case, or speaking to school students to encourage them to be advisers or many other cases.

5. Proof and sense check

Finally, ask a friend or colleague to review your application and ask them to give honest feedback about whether it covers everything it should. When we are all so busy and doing so much it's easy to forget even important achievements that might have occurred. Sometimes another pair of eyes can help to see if something is missing.

And if at first you don't succeed, try, try and try again. Each year build on the skills and achievements of the previous year. Take heart. Many award winners don't win first time around.

"There are many advantages to entering awards. Firstly, you've got to be in it to win it. In fact, this is why in financial services there are now award programs dedicated to females. If they didn't exist, females just wouldn't enter them"

Advocacy

The latest on the IPA's advocacy work

The IPA made various submissions to government including on the corporate tax rate, the contentious issue of events-based reporting for SMSFs and property tax deductions.

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Black Economy Taskforce – Final report with government

As a member of the Black Economy Taskforce the IPA continued its participation in the workflow and consultation process.

The Black Economy Taskforce Final Report was completed in October 2017 and is currently with the government. The government will respond to the recommendations contained in the report before it releases it to the public. Many of the policy ideas canvassed will have significant ramifications for tax practitioners.

Exposure Draft Enterprise Tax Plan Base Rate Entities

The IPA provided a submission on the Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017. We welcome the government providing more clarity around the eligibility for the lower corporate tax rate which has been the subject matter of much uncertainty. A two-tiered company tax rate system unfortunately does create more complexity in the tax system but the benefits to the economy of lower corporate tax rates on small corporate tax entities will far exceed any additional compliance costs.

Note: The IPA was in constant discussion with Treasury and Financial Services Minister Kelly O'Dwyer's advisers in the drafting of the final version and we succeeded in ensuring that the corporate tax cuts will be available to bucket companies in receipt of trust distributions where there is a UPE in existence.

SMSF event-based reporting framework

The IPA provided a submission for the discussion paper on SMSF event-based reporting. The ATO discussion paper is seeking feedback on one specific aspect of SMSF events-based reporting, being how often SMSFs are required to report events impacting an individual member's transfer balance from 1 July 2018. The magnitude of what is being proposed cannot be understated as it entails changes in well-entrenched behaviours. In addition, there will be additional compliance costs on all trustees associated with transfer balance account reporting which should not be underestimated. There will need to be greater interactions between SMSF members and their accountants. The IPA advocated for a risk-based approach be adopted to limit the compliance impact of the TBAR regime. Applying the regime to members that are more likely to exceed their transfer balance limit seems to be a better approach to take as it achieves the desired outcomes without imposing significant compliance costs on the entire pension phase population.

Exposure Draft ED 03/17 APES 325 Risk Management for Firms

The IPA provided a submission to APESB on different aspects of APES 325 and in particular on the review of Exposure Draft ED 3/17 APES 325 Risk Management for Firms.

While the IPA supports the proposed changes to require firms to establish and document a succession plan as part of the firm's risk management framework, the IPA is of the view the context of the proposed amendment is too narrow. Succession planning should consider more than retirement and incapacity in the light of regulatory rotation requirements. As such the IPA believes that the requirement for succession planning specifically addresses the rotational regulatory requirements and includes not just partners but other key members of the engagement team.

In addition, the IPA contends that APES 325 is deficient in providing specific relevant guidance for professional firms in implementing a risk management framework.

Exposure Draft 2017/4 Property, Plant and Equipment – Proceeds Before Intended Use

The IPA provided a submission to the International Accounting Standards Board (IASB) with comments on Exposure Draft ED 2017/4 *Property Plant and Equipment – Proceeds Before Intended Use* (Proposed amendments to IAS 16).

The IPA supports the IASB proposal to amend IAS 16 to prohibit deducting from the cost of an item of property plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable to be operating in the manner intended by management.

The IPA believes the proposed amendments would address the diversity in practice identified by the IASB and deal with circumstances where the proceeds exceed the cost of testing.

While the IPA supports the addition of a definition of testing, we have concerns that the proposed definition is too subjective. Notwithstanding the "definition" in paragraph 17(c), paragraphs 20A and BC10 provide no clarity on:

- Determining when an asset is operating as intended by management (paragraph 17(c)); or
- The assessment of the technical and physical performance of the asset.

The IPA is aware of instances where the technical acceptance of a new asset in terms of functional specifications can result in circumstances where costs continue to be capitalised and depreciation delayed.

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

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

The end of the world as we know it

Part of our role at the IPA is to embrace technological change to improve the lives of our members, the profession and small business. There are a few vital items we think you should know to thrive in a world being constantly influenced by technology

by Vicki Stylianou

To this end, we recently attended an event run by the International Council for Small Business and George Washington University on global entrepreneurship and the definition of work. The main discussion was around the advent of the Fourth Industrial Revolution (4IR) (aka the digital revolution). There were many predictions and speculation as to what the future might look like. Some of the main themes are discussed below.

Megatrends

Megatrends of the global economy in the 4IR would be based on the 'new normal era', that is, low growth, high unemployment, low interest rates and low inflation. This was considered to be a huge threat to future jobs. There would be convergence of the physical, digital and human worlds.

Innovative start-ups and SMEs

The era of innovative start-ups and SMEs is coming, with over 95 per cent of jobs around the world being created by start-ups and SMEs. This reflects the fact that technology has made speed and flexibility more important than scale.

Policy response

The policy response to this is that we need to intensively nurture innovative start-ups and SMEs. This means a focus not just on technology-based innovation, but also on human-centred (humane) entrepreneurship. All countries need to be globally competitive through developing an innovative corporate culture based on technology and a human-centred business model (humane entrepreneurship).

New models of entrepreneurship

Humane entrepreneurship is defined as the pursuit of a virtuous cycle of entrepreneurial growth and innovation combined with employee development and commitment through human-centred leadership and management. Research in Japan, Korea and elsewhere shows that companies which apply humane entrepreneurship also have higher profits, with employees and other stakeholders sharing in the benefits of success. Reporting for these entities will likely take a triple bottom line or integrated reporting approach. So, people/profit/planet or business/humane/green models will become more prevalent.

Lifelong learning and skills of the future

The most valuable person will not be the one with the most knowledge but the one who knows what to do with it. This has made entrepreneurship programs the fastest growing programs in universities around the world.

There is some consensus that skills needed in the 4IR and which may be resistant to machines and automation, include emotional intelligence, creativity, collaborative activity, empathy, the ability to influence others, abstract and systems thinking, project management, design thinking, complex communication skills, and the ability to thrive in diverse environments. Whether these skills can be taught is another question.

Future of work

The government's Future Focus report states that Australia will have between 5.6 million and 6.4 million job vacancies in the years up to 2025, however, Australia will be 2.8 million short of people with higher skilled qualifications that industry will demand.

The United Nations (UN) states that we need to create 600 million jobs, which need to be substantial, green, decent jobs, if we are to end poverty by 2030; and there are 700 million current jobs which could be improved. This is the main goal of the UN Sustainable Development Goals. The plan is to achieve this by unleashing entrepreneurial activity. Not-for-profits also have their part to play by creating 10 million jobs. Like others, the UN agrees that we need to create an entrepreneurial mindset, with colleges and universities leading the way with the promotion of STEAM (science, technology, engineering, arts and mathematics) programs.

The PwC –Workforce of the future report: refers to four options for a future world:

1. The yellow world where people come first and are more important than disruption;
2. The red world where innovation and disruption rule (Silicon Valley world);
3. The green world where companies care about the world; and
4. The blue world where companies rule the world.

The PwC report found that:

- 70 per cent of people surveyed around the world would consider undergoing medical treatment to enhance their bodies and brains to adapt to the changing workforce and to improve their future employment prospects.
- 74 per cent were ready to learn a new skill or completely retrain to keep themselves employable.
- 60 per cent believe few people will have stable, long-term employment in the future and are shifting from qualifications that last a lifetime to thinking about new skills every few years matched with ongoing development of personal skills such as risk management, leadership and emotional intelligence.
- 56 per cent think governments should take any action needed to protect jobs from automation.

Trusted adviser will become more important

There is considerable literature that documents the connections between trust and wellbeing; and trust is needed for collective problem solving, economic development and social cohesion. But what happens when trust is absent. Some worry that the internet is degrading trust as information is more open to manipulation. This means a greater reliance on trusted sources of information and expertise. Accountants are well placed to become the epicentre of trust for clients, employers and the community.

The end of the world as we know it

Some predict a polarisation of society with too much inequality undermining growth in the long term; the great stagnation; and an entrepreneurial welfare society where part of the bounty is reinvested to provide a safety net to liberate individuals so they can innovate and learn.

My own prediction is that as we move more and more toward a gig economy and incomes are irregular and labour is more mobile and humans lose jobs, then what does this mean for government budgeting and tax collection. The universal wage is already being debated, especially the cost. But technology companies and those doing well may have to be more heavily taxed than they currently are. So, there would be less tax on individuals and small business and a lot more on multinationals. This will require far greater co-operation between countries; and a greater focus on society and employees, as proposed by the humane entrepreneurship model noted above. Or as Bill Gates has proposed, robots will need to be taxed.

That's a wrap: National Congress 2017

A line-up of industry leaders, on-the ground professionals and IPA executives at this year's congress all agree: 2018 is looking bright for accountants who see opportunity in disruption

This year's National Congress was held at the beautiful RACV Royal Pines Resort on the Gold Coast. It was the perfect setting for what was a jam-packed three days of high-calibre education and great networking opportunities, particularly for those who attended the cocktail reception and gala dinner.

Delegates heard from Dr Michael Schaper, deputy chair of the ACCC and one of the IPA's newest directors. Mr Schaper surprised delegates with his take on the Competition and Consumer Act, with many accountants unaware of its main elements, and how enforcement impacts their practice.

> It was the perfect setting for what was a jam-packed three days of high-calibre education and great networking opportunities

Delivering a highly anticipated keynote, Australian Small Business and Family Enterprise Ombudsman, Kate Carnell, updated delegates on some big wins for small business on her watch. This included her small business loans inquiry making way for Australia's major banks introducing fairer contract terms for borrowers.

Chair of the Tax Practitioners Board, Ian Taylor, also gave a comprehensive update to delegates about the TPB's regulatory activities, critically including its approach to penalties and compliance action now and into the future. A resounding message from Mr Taylor included that, overwhelmingly, compliance figures for tax and BAS agents are solid and promising.

Finally, chief executive of the IPA, Andrew Conway was on the ground for the entire congress, addressing members personally and in a formal capacity. Amongst his most pertinent messages were the direct and significant links between the work of members and the mental health of their clients. This research works to improve the general wellness of Australian SMEs, and gives the IPA heavy firepower in its lobbying efforts with government.

Tailored programs for overseas delegates

A wrap of the latest news, developments and projects in the IPA's international division

by Jane Gao
general manager – international division, IPA

With encouraging international membership growth, the IPA overseas offices in Beijing, Hong Kong and Kuala Lumpur 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.

Tailored programs for China's professionals delivered

On 11 September 2017, a group of 29 public practitioners from China started receiving the IPA's Executive Accounting Training Program in Melbourne. This is one of a series of executive training programs that the IPA provides and has always been welcomed by China's accounting professionals. The training program is based on requirements lodged by Chinese counterparts and includes sessions picked from six core learning units including: the economic and financing environment, standards and regulations, public practice and operation, particular technical issues and hot topics, and a mini MBA program.

Accounting firms are facing challenges, not only from artificial intelligence or industrial changes, but the preliminary questions of how well directors are prepared for succession planning; and, what a fair transfer agreement is in a highly flexible business engagement society. The IPA-tailored programs answer these questions as well as provide an overview of the Australian accounting profession with examples of practices. The program also covers opportunities from The China-Australia Free Trade Agreement (ChAFTA) etc.

Visitors from three national accounting institutes and an exchange night

Top accounting and tax experts in China and accounting professors of three national accounting institutes (Beijing NAI, Shanghai NAI and Xiamen NAI) visited the IPA head office on 18 September 2017 for technical sessions as well as networking with IPA Australia members and accounting experts in Australia.

Attendants from the previous China delegation and China visiting scholars enjoyed a happy exchange evening after sharing information on taxation system reform in Australia and China.

Top level discussion with CICPA on management of professional organisations

The secretary general of the Chinese Institute of Certified Public Accountants (CICPA) head office with 15 secretary generals/deputy secretary generals of CICPA provincial subsidiaries visited the IPA head office during 25-26 October 2017 for senior level meetings and technical training sessions. Environmental and social responsibilities of corporates is a hot communication topic on which Professor Craig Deegan from RMIT inspired serious discussions, with Chinese counterparts actively responding to topics including the definition of accountability, integrated reporting, corporate governance mechanism and personal social responsibility.

> "Accounting firms are facing challenges, not only from artificial intelligence or industrial changes, but the preliminary questions of how well the directors are prepared for succession planning; and, what a fair transfer agreement is in a highly flexible business engagement society"

Other new developments:

IPA Hong Kong:
– IPA's Hong Kong division supported the Federation of Australian Alumni Association (FAAA) 2017 AGM and Welcome Dinner with Michaela Browning, Australia's Consul-General, by sponsoring the lucky draw prize on 9 September 2017 in Hong Kong.

IPA Malaysia
– IPA's Malaysia division organised and delivered regular face-to-face CPD seminars with topics including GST accounting, integrated financial reporting, transfer pricing and cross-border transaction to local members in Malaysia.

Working for WELLNESS

Fatigue, feeling overwhelmed and being stressed on deadlines are seen as part and parcel of being an accountant. As a profession, it's time to set measurable targets to ensure we are working to live, not living to work

by Michelle La

"I had the doctors standing around me telling me that I had to get my affairs in order because they weren't quite sure how bad it was"

– Petris Lapis

Accountants often bond over, and wear as a badge of honour, how hard they work for their clients, particularly around key deadline periods. Working hard, particularly for others, is a noble quality.

But in the long run, normalising long hours and periods of intense demand takes a toll. You can't serve your clients in the way you want to by pushing yourself to the threshold of physical and mental pressure.

This approach is catching up with the Australian business community, and it is manifesting in the form of depression and anxiety. According to researchers from the Black Dog Institute, almost half of the working population experience a mental health disorder at some stage in their life.

Further, the people who feel it most, are those in positions of management. David Johnston, a researcher with Black Dog Institute's Workplace Mental Health Research Program says existing studies indicate that managers report significantly higher levels of psychological distress than other employees.

According to Mr Johnston, this increase in psychological distress has been associated with increased absenteeism and presenteeism – which means attending work, but performing at less than optimal levels. In short, instead of taking time off to recoup, Australians are pushing themselves to show up.

Unfortunately, little has actually been studied into the ongoing repercussions of these workplace patterns, in spite of their prevalence and also the increasing awareness being raised about depression and anxiety.

"Despite their substantial contribution to job generation and economic growth, there has been little research into the mental health of SMEs," says Mr Johnston.

One person who knows all too well the mental health issues that SMEs face is former accountant, mindfulness coach and IPA Fellow, Petris Lapis. In her previous role directing a highly successful start-up, Ms Lapis suffered a debilitating collapse of her health due to severe stress.

Early in her career, Ms Lapis had a lucrative brainwave to start a business. "It was the first of its kind in Australia and it worked really well," she describes.

"Unfortunately, it worked so well that I got too busy and so stressed that I ended up in hospital."

"I had the doctors standing around me telling me that I had to get my affairs in order because they weren't quite sure how bad it was," she explains.

After missing out on opportunities due to her inability to work, Ms Lapis realised that in order to move forward she had to reprioritise her mental health.

"While I was in hospital my clients still got on with their lives and their businesses, but my personal life ground to a halt," she said.

"I learnt the really hard way that if I wasn't well, I couldn't run my business and I couldn't be there for my kids when they grow up," she said.

Her frightening brush with stress informs much of her work today as a mindfulness practitioner and corporate coach. Her passion lies in helping other SME leaders learn wellbeing, soft skills and lifestyle skills, "so that they can actually manage themselves in a healthier way than I did," she says.

Recognising when something's not right

Mostly, the Australian business community knows and accepts that mental health issues exist, and the associated stigmas are being increasingly reduced. But where accountants stumble is identifying these issues with themselves and staff in the first instance, and addressing them appropriately.

For Leading Mindfully's director, Repa Patel, one part of understanding the state of mental health in SMEs is recognising the pace of change in an accounting office, thanks in large to how technology has framed clients' expectations.

"What used to take two to three years to implement is now taking two to three days," she says.

Driving that pace of change, Ms Patel highlights, is also the shift in client expectations for immediacy, "We expect everything now!"

"How do we meet those demands when we're a finite number of people and how do we manage those expectations while still maintaining client service?"

To keep up, Ms Patel's small business clients often overload their work schedules. "The way we tend to respond is with 'I'll just do more'," she says.

Contextualising the problem, Ms Patel finds it helpful to picture businesses broken down into three "plates"; expertise (e.g. business specialisation), clients (sales, relationships) and team (recruitment, optimising).

"It's usually in the client and the team plates which is where most of my clients in the SME space start feeling stress," she explains. "A lot of people I work with, know that there's a problem but can't quite put their finger on it."

As the pressure mounts, more often than not, taking time to look into workplace wellness gets pushed down in priority on the daily to-do lists. Corporate coach Ms Lapis experienced this from her own stress-related illness, "There's an enormous amount of pressure and massively long hours required to be doing it."

"In the process you forget to eat well, stop exercising, stop going out and socialising, you think that you have to give everything to keep this wonderful exciting business going," she says.

These mental health warning signs that Ms Lapis describes are easily, and often missed by those already juggling too much on their plates. Through his workplace mental health research at the Black Dog Institute, David Johnston recognises this trend, "We know that many people who experience

these symptoms delay seeking treatment, or don't seek treatment at all."

Mr Johnston lists other red flags including feeling run down, irritable, angry at others, persistent and difficult-to-manage thoughts which produce anxiety, fear and/or sadness, impacted sleep or the need for more alcohol and/or sedatives to cope.

However, the difficulty in recognising these signals is that often, each person's experience of mental health issues will vary substantially from one person to the next.

"It's dependent on a whole host of factors, including biological vulnerabilities and even how we were taught to express and manage our emotions as children," explains Mr Johnston.

To identify that there's a problem at hand, both Ms Lapis and Mr Johnston suggest that listening to the people closest to us can help in telling when there's something wrong.

Mr Johnston says, "it may be that a friend, partner or colleague makes a comment which helps a person to recognise that things are not going so well."

He adds, "People need to know that it is never too late to seek help, and that seeking help can start with small steps, even though it might initially feel overwhelming, shameful or difficult."

"Booking in an appointment to see your GP and turning up to that appointment is one such step, and may present a wide range of options that the person might not have known about."

Free resources for SMEs

For SME owners who are struggling, there are a variety of resources readily available to assist in the pathway to good health.

While Mr Johnston from the Black Dog Institute highly encourages a chat to a GP, he suggests that another first step could be picking up the phone and talking to support services such as beyondblue, which runs a 24/7 phone service that is contactable on 1300 22 4636.

For emergencies or crisis support, Lifeline offers free and confidential support 24/7 on 13 11 14.

"Beyond that," says Mr Johnston, "the Black Dog Institute website hosts a wide range of free resources and factsheets, including online self-help tools and apps to help you monitor and improve your mental wellbeing.

Ms Lapis also highly recommends online websites such as beyondblue (www.beyondblue.org.au) and Heads Up (www.headsup.org.au/) as valuable ports of information to direct SME owners to resources that they need.

In her personal and professional experience, Ms Lapis has also found Institute of Public Accountants' discussion groups to be an alternate space to find support from like-minded people in the industry around issues such as mental health in the workplace.

Regularly attending them herself, Ms Lapis advises that there are discussion groups in every state for IPA members. Venues and dates of upcoming discussion groups can be found on the IPA website.

Helping you create a mental health friendly workplace

As with any kind of cultural or structural shift within a firm – it starts from the top down. Leading Mindfully's Ms Patel believes that constructive change starts with the personal behaviours of business leaders and SME owners themselves.

In her experience as a change consultant for SME and executive leaders, Ms Patel says that people often approach mindfulness coaching armed with a "growth agenda", focusing on pursuing ways to grow the business and not realising that the way forward is addressing their own mental wellbeing.

"I call it the 'Inside-out' approach, it's about leading yourself, then leading your team, then leading your business, and then ultimately leading the industry," she explains.

"Without them building their own capacity, they won't be able to lead their teams or their businesses."

The path towards wellness for SME owners can start with small adjustments. Ms Patel suggests something as easy as reserving proper downtime during the work day. "Don't schedule over lunch. As leaders, we need to make sure that our teams are taking a break," she suggests. "Lunch is a time that we need to disconnect and unwind."

Adding to the list of simple wellness ideas for the business owner, Ms Lapis also advocates scheduling times in the day to switch off business emails and phone calls, exercising to burn off stress chemicals and having a hobby that doesn't involve the business. As she puts it, "We are all human first and workers second."

When it comes to promoting mental wellbeing in the workplace, Black Dog Institute's Mr Johnston acknowledges that this is no small task. "SMEs face unique challenges related to promoting workplace mental health, and frequently do not have the same resources at their disposal that larger organisations might have," he says.

For ideas to make the workplace more mental health friendly, he recommends starting at Black Dog Institute's 'Creating a Mentally Healthy Workplace' resource. The guidelines, which can be found online, help to craft supports that best fit individual work environments. Similar guides exist with associations like beyondblue.

With the momentum of national awareness behind us, now is the right time to be prioritising wellness into your work and practice – in fact, it's over time.

Read this article online at pubacct.org.au

What to expect for TAX IN 2018

With a plethora of tax changes kicking in during 2017, and further more slated for the next 12 months, accountants need to be well versed in what is, and is not, on the table for 2018

by Jotham Lian

→

"There's not a brave politician out there that will sell the merits of a significantly fit for purpose tax system that will bring in enough money to deal with the structural imbalances that we currently experience"

– Tony Greco, IPA

Besides the much-anticipated superannuation changes that kicked in on 1 July 2017, there have been a number of other changes that have divided the accounting industry, while 2018 is set to bring about a slew of tweaks that will keep accountants on their toes.

Institute of Public Accountants senior tax adviser Tony Greco says that despite a number of changes on the cards, a comprehensive tax reform is certainly not about to happen soon.

"The big thing that's not happening and doesn't seem to be happening is in the political environment — no one seems brave enough to want to go down that path as far as 2017, we're not seeing any massive changes and that's a growing trend going into 2018, that the appetite for any structural, major, significant reforms are not part of the future of work programme," Mr Greco said.

"We still have the issue of our tax system not being fit for purpose so we hang on to the idea that at some stage we will see tax reform resurrected — it was started by Henry and then was parked, the Abbott government committed to a white paper and that was parked, and Turnbull hasn't reinvigorated any of that.

"There's been so much work already done but we need a brave politician to sell it and that's where it falls over. There's not a brave politician out there that will sell the merits of a significantly fit-for-purpose tax system that will bring in enough money to deal with the structural imbalances that we currently experience," he added.

"I suppose that's the utopia and then we move from the utopia and ask what's more realistic to happen in the short term."

Industry wish lists

One of the short-term measures that the IPA will be lobbying for in the coming year will be to extend the $20,000 instant asset write-off past 30 June 2018.

In October, Minister for Small Business Michael McCormack revealed that up to 300,000 small businesses had taken advantage of the concession in 2015-16, with the average amount claimed doubling from the previous year.

However, the threshold for the instant asset write-off will revert back to $1,000, should the government decide not to extend the concession.

"The instant asset write-off is one thing that might go from one extreme to the other," said Mr Greco.

"We know there's a financial impost that it generates but you don't want it to go back to $1,000. We haven't put a dollar figure on it but our position is a lot more than the $1,000 and if Parliament does nothing, it will revert back to $1,000."

Single touch payroll (STP) will be another big-ticket item for the IPA as it begins its rollout for businesses over 20 employees from 1 July 2018.

Businesses with less than 20 employees can expect to be hit with STP come 1 July 2019, a scenario the IPA is anticipating to have wide reaching effects on compliance.

"We're looking at 700,000 employers that fit that group and then you have to dissect that and work out how many are on a digital platform and you get up to 100,000 who aren't even engaged on a digital platform so the impact on those will be massive to think every time they run a pay, they have to communicate some information across," said Mr Greco.

"We're asking the government to think about a way to reduce the compliance costs because you're basically asking them to do something extra, there are very little benefits to them, so we are asking for some assistance, especially for the micros, who employ less than five people."

The government's handling of changes relating to the corporate tax rate has been roundly slammed by industry experts, with Mr Greco calling it "bad policy from the start" and the Tax Institute senior tax counsel Professor Bob Deutsch using it as an example of "how not to develop policy".

> "There are so many things they have to be on top of, I think it's more of the reverse question where are they in control of interpreting the tax laws to meet their circumstances"
>
> – Tony Greco, IPA

While the intention to reduce the corporate tax rate down to 25 per cent may have been good at heart, Augmentors principal Peter Adams believes it cannot work with a substantially higher individual tax rate.

"You can't sensibly reduce your company tax rate to 25 per cent when you still have an individual tax rate at 47 per cent because all that does is incentivise people to migrate structures into a corporate vehicle and that facilitates Division 7A," said Mr Adams.

"The more you drop the company tax rate and don't shift the individual tax rate correspondingly, you're always going to engender these types of structures and strategies that you want to avoid because it's a breach of the law but people will tend to migrate towards those structures because there's such a huge disparity.

"That's just a recipe for disaster because what that throws on the ATO is now a tax detection burden that they've now got to fulfil because there would be a propensity to arbitrage that huge disparity in rates."

Looking ahead

Mr Adams says that while it may be hard to accurately predict potential changes, warnings and notices from the tax office should give accountants a taste of what is to come.

According to Mr Adams, the taxation framework of trusts will be high on the agenda for amendment over the next 12 to 18 months.

"Over the last decade or two, most small businesses have been advised by their accountants to operate their business through trust

structures so there will be an impact there because of the proliferation of businesses that are using tax structures," Mr Adams said.

"At the moment we don't have an exposure draft bill but Treasury has already made proposals as potential models for the government to adopt.

"Tax practitioners have to be conscious of this so they can shape the affairs of their clients and be proactive. The changes aren't necessarily adverse in terms of tax impact but it may affect things like changing your trust deeds, which could have an administrative cost."

Similarly, Mr Adams predicts a crackdown by the ATO on fringe benefits tax (FBT) on SMEs.

"They've always focused on FBT for the larger businesses because they have significant fringe benefits, multitude of cars, etc.," he added.

"But what they've found in the small business sector is that there is also more non-compliance as far as FBT goes.

"You've got mums and dads that own a company but are also employees of the company and they get cars and they never seem to pick it up as a taxable fringe benefit for the company so the ATO views that as a significant area of non-compliance."

Other earmarked areas include individual tax compliance, a topic highlighted by ATO commissioner Chris Jordan earlier this year when he told the National Press Club the tax office would be scrutinising work-related deductions.

> "You can't sensibly reduce your company tax rate to 25 per cent when you still have an individual tax rate at 47 per cent because all that does is incentivise people to migrate structures into a corporate vehicle and that facilitates Division 7A"
>
> – Peter Adams, Augmentors

Upgrading tools

While accountants will be hoping that Treasurer Scott Morrison keeps to his word to not revisit changes to superannuation, the event-based reporting regime is set to roll out on 1 July 2018.

BT Financial Group national manager for SMSF Neil Sparks said such changes meant the switch to real-time software was inevitable.

"We know that event-based reporting measures are still being finalised and whatever model is adopted come 1 July 2018, SMSFs are going to be subject to closer oversight from the regulator," Mr Sparks said.

"The move to a cloud-based solution is inevitable, particularly when you consider future reporting requirements around transfer balance caps (TBCs) and mandatory electronic pension reporting.

"To ensure practices are future-proofed, they will need to replace paper-based transactions and processes wherever possible and maximise the benefits of data feeds, such as the automation of transaction reconciliation and provision of fund information in real time to trustees, accountants, advisers and the regulator," he added.

"People are tech savvy and they want the same level of visibility and timeliness with their SMSF and investments that they get with their internet banking and social media."

Staying ahead of the game

With tax changes inevitable, Mr Greco believes it is more crucial than ever for accountants to be on top of their game to prevent potential backlash from clients.

Pointing to how big four firm Deloitte is facing legal action at the time of writing over alleged incorrect tax advice to a technology entrepreneur, Mr Greco warned that suburban accountants had to tread carefully when dealing with complex laws and tax changes.

"There are so many things they have to be on top of, I think it's more of the reverse question where are they in control of interpreting the tax laws to meet their circumstances," said Mr Greco.

"Accountants have to be competent in what they're doing, that's just one of the ethical professional standards of all accountants. One thing they can't do is adopt the "she'll be right" attitude. It's no different to any other profession."

Not-for-profit

Working for a CAUSE

Practices and clients alike looking to drive a social cause won't necessarily be out of pocket – in fact, it could be a smart business decision

by Jotham Lian

→

Starting a not-for-profit (NFP) organisation often stems from a desire to make an impact in a community on an issue that an individual or group of people believe is not adequately addressed by the government or existing NFPs.

Many business owners with charitable ambitions don't consider starting their own NFP because of the potential financial drain on them or the practice – but this doesn't necessarily have to be the case. In fact, there are various bottom-line benefits for those that take the leap.

For example, and most commonly, there can be significant tax concessions with setting up an NFP, says NFPAS consulting chief financial officer Ellie Paterson.

"The benefits for setting up an NFP or a charity in accounting terms are the tax concessional treatments that are available for those entities," Ms Paterson said.

"Under certain circumstances there are exemptions from income tax, there are GST concessional treatments, and concessional treatments for the same business test (SBT).

"Other than the tax field, benefits would be potential access to grant funding and even on a broader scale than that, there'd be marketing benefits or reputational branding benefits."

In short, done well, and with the right considerations in mind, an NFP can be an effective way for you or for your clients to put the pedal to the metal in driving social change.

Setting up shop

The first step for anyone considering establishing an NFP is to see if there is another similar one already in operation – a simple step that is often skated over. With approximately 600,000 NFPs in Australia, and 54,000 charities registered with the Australian Charities and Not-for-profits Commission (ACNC), this might be a tricky ask.

"Don't start up a new competitor unless you have to [and] starting up your own association should be a last resort only," says Lovett Philanthropy director Tabitha Lovett.

"First, research and map the sector which matches your intended environment thoroughly and even if you do still conclude that there is a gap and a pressing need for the organisation you wish to establish, you'll benefit from having undertaken that research to make your case.

"A formal organisation can, however, be a powerful way of getting your message across or structuring your activities."

Once a decision is made, it is important to choose the right legal structure to minimise potential legal difficulties further down the track.

According to Ms Paterson, the most common legal structures are an incorporated association or a company limited by guarantee.

"We will have a detailed conversation with the client to understand what it is they are trying to achieve, and the difference that they are trying to make in the world, and then we can make recommendations to them as to what legal structure is best suited to them," said Ms Paterson.

"The constitution is the first step in that, and that's obviously a critical stage to get the foundation of the organisation correct from day one, to get the charitable purposes very clear and succinct and to exactly capture what it is the people are trying to do in most charitable purposes.

"There's also some technical aspects of the constitution that we need to get right at the start that will then make later steps in the process easier and that's when we come to the point of registering them as a charity or with deductible gift recipient status, and that's when the constitution and particular clauses are looked at very closely."

"Once that has been established, a legal entity can be set up with ASIC and be registered with the tax office for their ABN, tax file number, and for GST. PAYG can also set up at this stage if appropriate and the organisation can begin operation.

"At that point, they have NFP status simply by the nature of the organisation that they are," said Ms Paterson.

"If they want to go the further step and be registered as a charity then it's the next step to put in the application with the ACNC — in most instances we can combine an application for deductible gift recipient status which means they are able to issue tax deductible donation receipts and also look at state requirements for a fundraising licence or charity licence.

> "I know there are often criticisms about charities paying admin costs but charities are no different from any other business in that they need to run the business to actually make money and make a difference"
>
> – Ellie Paterson

"It is quite a detailed process. It's not to say that people can't do that themselves but it takes a fair amount of time and research to begin to fully understand what each step involves."

However, accountants should be wary of the limitations of the advice they can offer to a potential client, with certain elements, such as the changing of an entity's constitution, requiring the attention of an NFP lawyer.

"An accountant can help you with that self-assessment by looking up rulings or basically going through their processes to identify what criteria you come under and give advice," said HLB Mann Judd partner Mariana von-Lucken.

"Most of the time an organisation is already set up and it's about changing the constitution and updating it and that's where a lawyer comes in — and also because they know how to formulate those applications properly.

"The category is limited in terms of what sits within income tax exemption that isn't a charity. and it's not very wide," she added.

"So, certainly accountants can assist with identifying if you do sit within the income tax exemption even though you are not a charity. We can also identify if you would fit under a charity, but because of the fact that you would likely have to do some changes to your constitution or make sure your ducks are in order, then you would use an NFP lawyer."

Funding the cause

While the aim of an NFP may be to benefit a charitable purpose, the organisation still needs to function as a regular business, and there are various ways to ensure it doesn't become a drain.

"There are government grants and there are also private grants, they can seek donations from the general public and obviously that's where their deductible gift recipient status is almost essential," said Ms Paterson.

"There are emerging trends like crowdfunding, and there are the more old-fashioned but still good fundraisers like putting on a ball or luncheon, or running a trading table, sausage sizzle.

"There's corporate sponsorships, and corporate partnerships and they are coming more to the fore as there are more companies out there with a social conscience and wanting to be seen as a good corporate citizen and there's this whole growing world of social enterprise so there's many funding streams and funding opportunities."

Adding to that, Ms Paterson said there is a common misconception with the way NFPs are run.

"I know there are often criticisms about charities paying admin costs but charities are no different from any other business in that they need to run the business to actually make money and make a difference," she said.

"I think it would be very difficult to run a successful charity long term purely on a volunteer basis and even then, you still need infrastructure around you to operate.

"In that sense, I think charities do need to understand that they are still a business and whilst the desire is to funnel as much funds as possible into their charitable purpose, they still need to actually operate."

Likewise, Ms von-Lucken believes an NFP has to ensure it is running an efficient business and maintaining cash flow as a for-profit business does.

"You look at what your income is and your expenses and you want to be able to get a profit so you can use it to put it back into the business so it's having that cash flow and it's not waiting for the next grant or donation to come in," Ms von-Lucken said.

However, NFPs should be cautious in their approach to operations and ensure that they are still working towards the charitable purpose and not drifting into the commercial space. Even though intentions might be good in this respect, this approach can jeopardise the available concessions.

"NFPs and charities need to be careful that their charitable purpose is their main purpose and any funds raised are going to that charitable purpose," Ms Paterson said.

"If they are starting to stray into commercial operations or commercial enterprises, they can actually lose some of their tax concessions and can actually start to become liable for income tax."

Similarly, Ms von-Lucken believes that NFPs who find themselves straying from their original purpose may consider winding down.

"There are organisations out there where the purpose is no longer relevant so all they've done is just accumulate money and now they've just got investments because at the time they had a purpose, they made a profit and they invested it, and kept investing it, but it's not benefiting the community and I'm not sure if there's a purpose there anymore," she added.

Measuring success

While a regular business' success may be measured by its bottom line, defining success in an NFP may not be as straightforward.

Ms Lovett says having a large positive bottom line may instead be an indicator that the organisation is not carrying out the activities it should to fulfil its purpose.

Instead of looking at its profits, Ms Lovett believes an NFP can examine three types of data in reviewing and presenting their success.

Firstly, an NFP should look at their inputs — the way resources were used to conduct an activity. This should cover both financial and non-financial resources such as volunteer time and equipment.

Next, an NFP can measure its outputs in the activities conducted, such as the number of classes held, the number of students enrolled or graduated, or the number of members enrolled.

Lastly, to better track the results and outcomes of the activities, the NFP can measure how much better off the organisation's clients, or community is as a whole, as a result of the organisation's activities.

While setting up an NFP may seem daunting, Ms Lovett believes business owners can succeed if they do their research and employ the right advice from the get-go to ensure their NFP ultimately succeeds.

"If that is the path you wish to follow, just make sure you get good advice early on in the process and set up the entity for success," said Ms Lovett.

> "First, research and map the sector which matches your intended environment thoroughly and even if you do still conclude that there is a gap and a pressing need for the organisation you wish to establish, you'll benefit from having undertaken that research to make your case"
>
> – Tabitha Lovett

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Coming up with THE GOODS

Fueled by outrage at the simultaneous shortages and wastages in Australia, the team at Good360 have created a marketplace of giving that is efficient, scalable and making a world of difference

by Michelle La

→

At last year's National Congress, former minister for small business Bruce Billson said the world is run by people who show up. Brilliant ideas are well and good, but it's those who dare to put the pedal to the metal that get it done. Alison Covington is one of those people. After quitting her executive position as managing director at transport company Transdev, Ms Covington launched not-for-profit organisation Good360 in 2015. And from the get-go, the goals for the start-up were monumental: to deliver $1 billion of goods to Australians in need.

Ms Covington's mammoth ambitions as director of Good360 are grounded in a tenacious refusal to accept the status quo of poverty in Australia.

"I question the reason why we live in a country that is so beautiful but we still have two million people living below the line of poverty," she says. "Why is it that my children have the opportunity for education but then other children don't? I don't understand that."

In its essence, Good360 is a Sydney-based, online logistics hub that collects excess non-perishable goods from companies Australia-wide, and redistributes them to charities and people in need. A small team of 14 paid staff and a slew of dedicated volunteers have delivered great results in their short time of operation, so far clocking in over $30 million of products moved.

For Ms Covington, these numbers are still modest compared to the $1 billion of excess stock that she believes is hidden in corporate warehouses around Australia.

"Businesses fundamentally will always have excess goods. That's just a part of how businesses operate, they'll never sell through every part of their stock level," she says.

At the heart of all these impressive figures, Good360's large scale serves as a disruptor to societal perceptions of charity.

"I was seeing that people were connecting food with charities and Australians in need. I recognise that people would consume food, but we also need a lot of other things to make us whole, for example personal care, clothing and household goods," explains Ms Covington.

The Good360 concept began 30 years ago in the United States, connecting Americans with around $400 million worth of donated goods each year. With Good360's

long time success in the US, Ms Covington was flabbergasted that charities in Australia were yet to effectively address the need for material goods to help lift families out of poverty.

"Here in Australia, all we've been dealing with is connecting food. That is a fantastic thing but you can't then push them back out onto the street and expect that the outcomes are going to change, that they're going to get employment, education and that their mental health is going to be different if we don't do all the other things that people need," she says.

A billion dollar purpose

A large part of Good360's success lies in the organisation's clear goals that were outlined from the very beginning.

"I think that's what every business has to think about, what is it that they do and what is their purpose," she says.

"Our purpose is to deliver $1 billion worth of goods to Australians who need them, and by doing that we're solving a problem for business... because we can distribute goods on their behalf to people who need them most, it just turns what was the problem into an opportunity to do good in the community."

In fact, the organisation's billion dollar purpose to help Australians, also in turn solves a crucial inventory issue of excess stock for commercial businesses.

By coupling the genuine need of two disparate groups, Good360 radically alters the supply chain of commercial goods and charitable giving in Australia.

"By doing that, you disrupt the market, you disrupt how things are happening. Businesses didn't have a solution to that problem until we came along," she says.

As a result, the two-year-old not-for-profit is seeing a ripple effect from the win-win situation they've created, with exponential growth that would be the envy of any start-up. Their ability to articulate the benefits to brands, charities and the environment as stock is saved from landfill, has seen the humble organisation triple in volume during the last financial year.

Build it big, upfront

To back Ms Covington's zealous billion dollar target, Good360 launched with its own technology builds and cloud-based systems, custom designed for logistics of epic proportion. "When we launched we could have had the technology the size of a bicycle, but we built it to the size of a jumbo jet," she quips.

Where most start-ups begin with small technology systems, Good360 decided instead to invest upfront.

"Some people think that's crazy, but we decided 'let's do it now', because there's never enough time or money to do it on the hop," she says.

The big risks taken early on, have paid off quickly, particularly in thanks to the platforms the company has in place.

"We looked at August figures and it's three times the previous August figures. That sort of scaling wouldn't be possible without the technology to do it," she says.

For Ms Covington, viewing the not-for-profit organisation through the eyes of a technology start-up company was essential to success.

"When we first started, we talked about the three pillars of our business: collaboration, innovation and efficiency," she says. "That would allow us to be the business that we need to be to grow."

Good360's custom-built technology allows the organisation to operate a 10,000-square-metre warehouse, Australia-wide freight, an e-commerce website and a call centre that reaches out to 50,000 charities and hundreds of product partners, with more room to grow.

When asked what skill set one needs to take on the start-up risks of technology and innovation, Ms Covington says it takes a healthy combination of being "crazy" and a realist.

"I think every entrepreneur has to have some screws loose somewhere!" she says.

"It would be unrealistic to think that I could possibly know everything to run a company. The thing is to set your ego aside and ask everybody else who have all of those skills, to listen and learn really, really fast," she says.

"It's taking all the information, taking it on board and saying what are we going to do with this knowledge?"

> "Why is it that my children have the opportunity for education but then other children don't? I don't understand that"

Getting involved

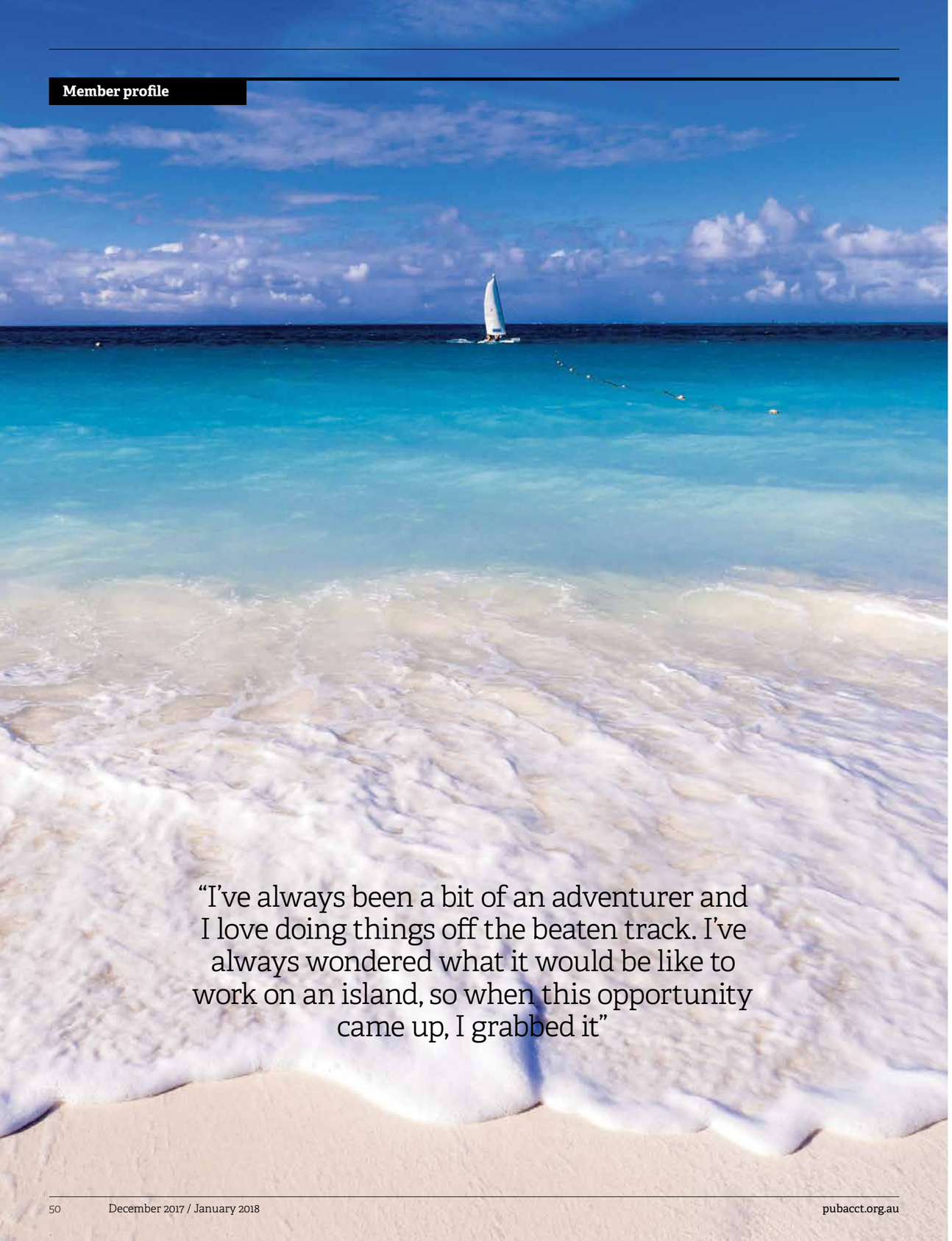
For those who'd like to do good but are not sure where to start, Ms Covington's belief is that "there are many ways you can find excess [goods and support] that are not [from] your traditional types of partnerships".

Outside-the-square pro bono support for Good360 has included donations of unused warehousing space from property company Goodman, and spare airport advertising space from O-Media. Ms Covington suggests that accountants may have clients with excess inventory on their books that can be directed at Good360.

"The stars aligned and here we are doing this in Australia and making a very interesting impact in helping Australians where we work and live," she says.

"I think that's really quite magical to be able to help people."

Read this article online at pubacct.org.au



"I've always been a bit of an adventurer and I love doing things off the beaten track. I've always wondered what it would be like to work on an island, so when this opportunity came up, I grabbed it"

ACCOUNTING *in the* TROPICS

Living on a tropical island is a utopian fantasy for most, but for IPA Fellow Rob Carlesso he turned this dream into a reality with a gutsy move to Norfolk Island

by Michelle La

In his previous mainland life, Mr Carlesso spent a remarkable 15-year career as chief financial officer for Water Catchment Management in Victoria. Mr Carlesso's professional passion lies in creating long-term sustainable outcomes and at the end of his tenure there, he knew that he could leave his post with confidence.

"I developed a fantastic finance team and I knew they were ready to step up," he says.

"My kids are grown up and I felt that I still had something to offer in my working career despite being over 50," he says.

That "something" for Mr Carlesso, was taking on the immense responsibility as chief financial officer in the newly formed Norfolk Island Regional Council.

Not only did it mean leaving everything behind and shifting his life (and his very supportive wife) to a remote Pacific island thousands of kilometres away, but also taking on a role within a controversial new governing body that had only been installed since July 2016.

The thought of transplanting oneself into such foreign personal and career territory is one that would discourage many, but Mr Carlesso seemed to take it all with a casual air of trepidation.

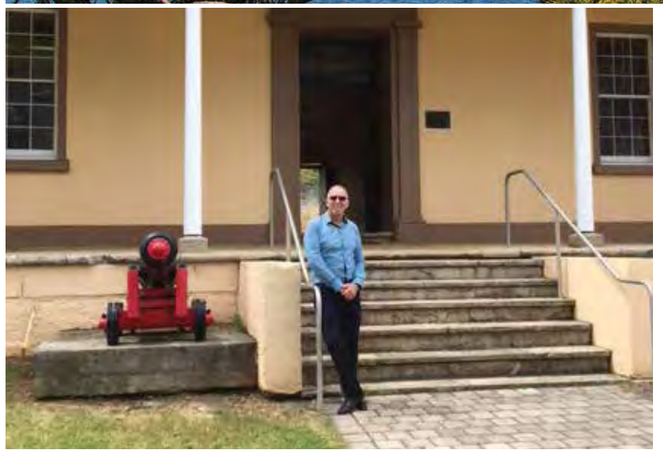
"The opportunity to do something different came up, I had a chat with my wife and we decided to give it a go," he says.

"I've always been a bit of an adventurer and I love doing things off the beaten track," he explains. "I've always wondered what it would be like to work on an island, so when this opportunity came up, I grabbed it."

Island in the sun

Norfolk Island is a miniscule spot in the South Pacific that is barely visible on a continental map of Australia. A beautiful island paradise measuring 8 kilometres in length and 5 kilometres wide, it has just under 2,000 residents who share a vivid history, its own customs and a vibrant culture.

Even though Norfolk Island is



an Australian territory, the cultural distance is clear. Little things, like a phone call to Mr Carlesso which requires an international dialling code, reinforce that. The distance between Norfolk and the mainland is made even more apparent with the 2G mobile phone reception of the island frequently cutting the call in and out.

The island's isolation and small population is far removed from Mr Carlesso's former residence in Victoria, and that's exactly what piqued his curiosity about the place.

Before 2016, Norfolk Island and its residents operated their own administration. The island's population recently went through a transition to Australian citizenship and inclusion under Australian federal governance.

The installation of the Norfolk Island Regional Council (NIRC), which commenced operations on 1 July, 2016, marked the end of self-governance on the island. The move was a contentious issue among residents, particularly on Norfolk's administration under the electorate of Canberra and implementation of NSW state legislation.

The intricacies of this change inform a huge aspect of Mr Carlesso's role as chief financial officer at the council.

"They're the complexities of working here in Norfolk. Its framework is unique and adds to the challenges that we have to go through," says Mr Carlesso.

"It's a very small council but it has a lot of responsibility," he says. "It looks after state government functions like airport, emergency services, electricity and telecom. We even look after the bond store and manage alcohol on the island."

One major issue that the council has been working through is the introduction of land taxation.

"The complexities and community engagement that we've had to go through to ensure that [the people of Norfolk Island] understand why we're sending bills out for their lands, we had to go through that process," he explains.

Despite the complications and immensity of the job at hand, Mr Carlesso views it all with the sunny side up attitude that perfectly mirrors the idyllic beauty of his new island home.

"There's a lot of areas that I could see that can improve," he says of his role. "I like the idea of that being a fantastic opportunity, something you can get your teeth into and really make great."

Creating opportunity

Through a laudable positive outlook and wealth of experience in business and finance administration within the public sector, Mr Carlesso has imported to Norfolk his core principles of long-term sustainability.

His career passion has been to build strong teams that have the ability for advancement and lasting community benefits. However, on a tiny faraway island, recruitment and training present major obstacles.

"It's difficult to retain staff. All of the finance team [from when I started] have gone back to the mainland. The remoteness has been a challenge for them and for various reasons they've left," concedes Mr Carlesso. "Therefore it's drained out all the knowledge and skills from the area."

Only commencing his role as CFO at NIRC in September 2017, Mr Carlesso is already making tracks in building a solid team that can best handle the needs of the local residents.

"I've recruited one accountant and I've got another ad out for another accountant now," he says. "The main aim is for it to become a stable area that we can build and develop a team with long-term sustainability."

Another big undertaking for Mr Carlesso is the inheritance of a multitude of systems full of legacy, information and data. However, he's unfazed by the enormity of the task at hand and instead, optimistic at the vast possibilities they present.

"It gives a great opportunity to get in there and make them work well," says Mr Carlesso. "[To be able to] provide valuable reports, produce statements and budgets for managers to be able to make fantastic decisions."

"It is a big job and I've had some sleepless nights, but that's a part of understanding where the challenges are."

In his short tenure so far, Mr Carlesso has already clocked up some wins. One being a successful vote on introducing daylight savings time through a customer engagement survey.

"Almost 50 per cent of the residents participated in the survey, which is just brilliant," he recounts. "So we've listened to what they've said and we're going to submit an application to see if we can get daylight savings changed."

> "There's a lot of areas that I could see that can improve. I like the idea of that being a fantastic opportunity, something you can get your teeth into and really make great"

Consistent with his reputation for sustainability, Mr Carlesso is bunkered in for the long run at NIRC.

"For me it's the big picture stuff and being patient is a virtue you need to have for working here," he describes. "You need to make sure that whatever changes there are, you are able to communicate those with proper buy-in by those that are going to be affected."

His vision is to build up a solid team around IT, finance and customer care at the council. "Making sure we provide services to our management areas, that's the ultimate goal. Hopefully that'll reap great rewards in the long run."

Mr Carlesso's ambitions are grounded in a genuine love for his community, and desire to make a difference.

"I want to contribute to building up this council and building up the team, to really help the people of Norfolk Island realise their potential, of how great this island is and how we can improve their lives."

So, was the sea change worth it? The answer is an indubitable 'yes'.

As an avid mountain bike rider, Mr Carlesso describes the thrills of cycling the rolling hills of Norfolk Island.

"It's just beautiful to be riding along and looking down to some of the magnificent shorelines and beaches that we've got," he says.

"Even riding from my house to work, I just get to look out and see that every morning. It's something that's made the whole thing worthwhile. To experience life in a remote place, it's got so many natural attractions and beauty about it."

Partnering with the IPA

Mr Carlesso is a long time member and Fellow at the Institute of Public Accountants. When asked why he chose the IPA for his accreditation, Mr Carlesso replies, "The IPA chose me!"

"I wasn't sure whether I wanted to be a fully-fledged accountant," he explains. "I wanted to be a jack-of-all-trades and I felt that the IPA was suitable for what I wanted to achieve."

Support from the IPA for Mr Carlesso's desire to be a generalist has paid off with his impressive senior management and executive career in a diverse array of public business enterprises, including education, health and water catchment management.

The IPA, according to Mr Carlesso, is most valuable in its structure which supports the multifarious needs of small-to-medium sized businesses.

"The advice that I've received from the body is just tremendous," he says.

The biggest benefit to his IPA membership has been the Public Accountant magazine, online resources and easy access to relevant knowledge that is vital to his work.

"I can get support anytime I need it and it's just at a touch of a button when I have a query about particular things."

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High value business clients: a guide for the small practitioner

Every principal and partner of a small accounting firm wants to attract high value business clients. However, it seems that many of these clients don't necessarily want to work with a smaller firm

by Dale Crosby

Dale Crosby,
senior adviser,
High Tech Soft Touch

Instead, they are often attracted to larger firms that come with the perception of high levels of tax and accounting advice and an integrated financial services offering. And, of course, a higher fee for service.

How many clients do you have with annual fees in excess of $20,000? For many smaller accounting firms, the number of these clients is relatively small. However, for other professional services, it's a lot more common for clients to pay significant fees for services that they regard as valuable in helping them to achieve their goals. Perhaps the challenge is not the size of the firm, but the type of services traditionally provided by accounting firms and client perception of value.

As the principals and partners of accounting firms shift their focus from tax compliance to advice, they are starting to see a shift in the way their clients perceive them. They are starting to attract clients that value the holistic advice they give. And they're less inclined to service clients that simply want a tax compliance service.

The first step in attracting high value business clients is simply to make the decision to service these clients based on their needs and financial goals. If you're unable to address their needs, then it's likely that they will not be interested in your firm. A primary focus on tax compliance, whilst certainly providing core revenue and profit for your firm, will simply not help you to attract higher-level business clients. They are not coming to you for core services, but what you can add in the way of strategic advice.

What are the characteristics of these clients?

- High turnover (above $5 million);
- Sophisticated, established businesses;
- Looking for growth or succession;
- Proactive in managing their business;
- Good financial understanding; and
- Recognise the value of specialist advice.

What are these clients looking for?

- Tax and accounting advice at a personal level;
- Bookkeeping and virtual CFO services;
- Business structuring and tax planning;
- Support with wealth creation strategies; and
- Support with business growth and succession planning.

They're also looking for someone who:

- Understands their needs and goals;
- Challenges them to think differently;
- Is proactive in communication and feedback;
- Has access to special knowledge e.g. ATO private binding rulings;
- Has a strong external professional network of advisors; and
- Is technologically savvy and able to assist with software implementation.

For many principals and partners of smaller firms, this 'wish list' seems unattainable. They're stuck in the tax compliance mindset with a focus on production rather than relationships.

In general, high value business clients are looking for advice from their existing professional partners and will seek other specialist advice through referrals from these partners. They will also do their own research and may come across specific service providers to meet their needs through online searches. It's by developing these connections that the principals and partners of smaller firms can begin to attract higher value clients. So, it's not the size of the firm that matters, it's the level of engagement and ongoing curiosity, concern and collaboration that you demonstrate with clients that increases your value.

Let's look at five key strategies that will work in attracting high value business clients for firms of any size:

1. Focus on a clear value proposition in the way you communicate with your business clients, your professional network and your target market. A strong value proposition has strong resonance (I need it), it has real differentiation (difficult to substitute) and it can be substantiated (I believe you). Your value proposition should state clearly what you can do to help business clients to achieve their financial goals. And to do this, you firstly need to understand their goals.

2. Develop a strong network of professional partners who can work with you to help your business clients achieve their goals. These partners may include financial advisors, lawyers, tax consultants, mortgage and insurance brokers, lending institutions and even marketers, IT and HR consultants. Your role is to act as the central point of contact (as project manager) in ensuring that all actions required to achieve the best outcome for the client are implemented.

3. Create personal capacity to really engage with clients at a deeper level than you're used to having with a tax compliance focus. You need to free up your time to make more time for proactive conversations with business clients about their issues and challenges, their goals and financial objectives. There's no point in doing this on an ad hoc basis, it needs to be a consistent focus in the way that you engage with your clients.

4. Identify a target niche based on a differentiated specialist service, a specific industry or a particular type of client. Some examples may include a focus on virtual CFO services, direct engagement with health professionals, a focus on the agricultural sector or even a specific business type such as real estate agents or franchisees. The benefit of a niche market is that it forces your firm to develop and present a clearly defined value proposition different to that of most other firms. The value in targeting a niche generally far exceeds any benefit of providing a generalist tax and accounting service to any client who walks in the door.

5. Think less like a technician and more like a consultant, adviser and coach. Of course, it's important to provide advice based on your technical expertise. However, in general, that's what clients expect. It's not a great differentiator. The real difference comes with the way you engage and communicate with your clients. By working collaboratively with clients to help them achieve their financial objectives, you're immediately enhancing your role from one based on outputs to one focusing on processes. It's the focus on process that often delivers exceptional outcomes for clients.

The effort involved in attracting high value business clients can be easily lost if the same effort is not put into retaining them. You need to:

- Set clear expectations upfront through service level agreements;
- Review the scope of work with the client every year, without exception;
- Be proactive with communication, don't wait until the client calls you;
- Adapt to changing client circumstances quickly and efficiently; and
- Challenge the client's thoughts through interactive discussions.

The best way to attract high value clients is to start engaging more proactively with your existing clients. You'll be surprised at the latent value that exists within your client base, due to misplaced assumptions about what your clients really want and how much they are prepared to pay.

Would you prefer to have 500 clients with average annual fee of $2,000 or 100 clients with average annual fee of $10,000? The best place to start is to treat all your business clients as high value clients, engage directly with them and the opportunities will develop.

Lessons from The Matrix to help grow your business

It's time to really get into this idea of helping your clients grow their businesses because that's what they want

by Trevor Marchant

Trevor Marchant, founder, Marchant Dallas Consulting

"This is your last chance. After this, there is no turning back. You take the blue pill — the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill — you stay in Wonderland, and I show you how deep the rabbit hole goes"

–Morpheus' ultimatum to Neo from the film – The Matrix

It's time for accountants to take the red pill – if you haven't already done so. Google anything you like around the idea of 'business growth' and see how many accounting firms are listed on the front page. While you're there have a look at the first 100 listings that come up and see how many management consultants and business coaches are out there eating your business consulting pie… a $2 billion pie.

How many of them have the experience and qualifications you have?

After 30 years in this business and having worked with over 5,000 business owners (including 68 accounting firms to date), those owners are saying that they want to:

- Build their business;
- Increase sales;
- Improve their service;
- Inspire their team;
- Create a winning culture;
- Improve profitability;
- Invest their profits and protect their assets; and
- Improve their overall lifestyle for themselves and their family.

They would prefer to do that with your help and not necessarily the business coaching and management consulting fraternity who are out there eating your pie.

Yet these business advisers are the folks that rank high in Google when the business owner is searching for someone to help them grow their business.

How do you feel about that? Perhaps it's time to do something about it, and I generalise here because I know some of you have taken the red pill and are already doing it.

Here's a thought. You have the knowledge, the experience, and the trust to 'make' your client's businesses or conversely 'break' their businesses if you choose not to take your rightful place in this business advisory space and offer the products and services they want.

When I talk about business advisory, this is what I see:

- Financial and strategic planning including preparation of the business plan;
- Analysis of financial data including application of financial ratios and benchmarking;
- Financial statement review (to identify opportunities and potential challenges);
- Business management mentoring;
- Cash flow projections; and
- Risk management.

There's nothing wrong with any of that but it misses a few points.

Here's another thought. Do you know how many people your decisions impact?

Thousands – when you think about your clients, their families, their staff, their staff's families, your client's clients, your client's suppliers and 'as far down the rabbit hole' as you want to go.

There are so many people reliant on your client being successful

And it's my view that in 9 out of 10 cases their 'measure of success' can be directly linked to you and the decisions you make to help them grow their business.

That said, there's a missing piece. There's a gap in your product and service offering and this is often compounded by your ability or desire to sell/share/help with what really counts – the how of what to do to measurably grow the business.

You know what has to be done, the client knows what has to be done; you know why it has to be done and the client knows why it has to be done – but too often they don't know how to do it.

Let me share a plan with you that will get you on the right track. It's one that I've used with hundreds of business owners (and accountants) since starting my consulting business after my days as head of training, education and development for Westpac.

Business growth is a direct result of the following factors:

- Increased sales revenue from increased lead generation and conversion;
- Larger sales through cross-servicing and what I call up servicing;
- More repeat business by delivering outstanding service and creatively building your 'fan-club,' your tribe, your community;
- Prudent management of all expenses; and
- Profit maximisation and tax minimisation… plus a host of other services accountants provided to make the financial side of the business easier and safer.

However, before we get to that we need to be clear on a few core management strategies, for example:

1. Why are we doing this? What's our purpose?
2. What values and core behaviours do we bring to the table?
3. What's our vision? What's the ultimate goal?
4. What's our point of difference?
5. Who is our ideal client?
6. What's our key marketing message? How do we attract our ideal client?
7. And, finally what is our optimum sales strategy? How can we improve the process for the client and ourselves?

Once we're clear on these seven strategies then we can start the journey, follow the roadmap and fire up our four pillars of business growth:

1. Marketing – lead generation and branding;
2. Selling – sales process and your conversion rate;
3. Delivering – the client's experience and effective systems;
4. And the biggy – Servicing – post sales, delivery experience and retention rate.

For many of you, you are more than an accountant – you are also a business owner and that's a huge plus for your business clients.

They want to look to you for direction and guidance and expect you're doing all of the above.

Frankly, I'm not sure you can put your business advisory hat on and advise clients if you're not doing most if not all of the above yourself – in your business.

There's a dangerous mindset that accountants can have which is a 'them and us' approach to their clients.

However, the moment you start to see yourself as a business owner and not an accountant, is the moment you stand shoulder-to-shoulder with your clients. This is when you start seeing things from their viewpoint and start looking down the same road together.

You may know by now that I'm a big fan of a concept we call 'person first, client second.'

This is a core behaviour that all firms and business owners can use during their relationship-building conversations with all their clients. This is about dealing with the person-problem before we deal with the client-problem.

So, using some, if not all the ideas I've shared with you plus: putting a high priority on getting good people, training them, teaching them how to sell, leveraging their skills; doing quality work, embracing the relevant technology and maintaining technical competence, you will continue to separate yourself from the competition and strengthen your points of difference – differences that will help you drive extraordinary growth.

Fraud: a growing issue for small businesses

Fraud can be such a significant cost that it threatens the survival of a business – even the very largest organisations. But because fraud is a hidden cost, it can be hard to identify and stop

by Simon James

Simon James,
partner, HLB Mann Judd

It is estimated that up to 80 per cent of fraud is committed by staff, and 50 per cent by middle managers. And in today's technologically-driven environment, cyber crime and electronic fraud is an increasing issue.

As with most things, prevention is always better than cure, and all businesses should take steps to protect themselves from fraud.

Understanding the nature and extent of fraud is an important step in its prevention. Businesses should consider what kinds of fraud they might be subject to, and how to put in place systems that can identify or flag fraudulent activity.

At the same time, they should let employees know that the organisation is keeping an eye on fraud and is taking steps to prevent it, which in itself acts as a deterrent. Reducing opportunities, enhancing accountability, improving detection and deterrence all help fraud-proof the business.

Generally speaking, there are four main areas where fraud occurs within a business:

- Revenue
- Expenses
- Wages
- Assets

Revenue fraud

The risk of fraud in the recognition of revenue arises when all the revenue received by the company is not actually recorded, with the fraudster pocketing the difference.

Tips to prevent this include:

- Ensuring the sales process issues a customer receipt, thereby registering when a sale is made and the data is entered into the system
- Separating duties when it comes to recognising revenue. Ensure the same person who raises the invoice in the system is not the same person who collects payment.

It's also important to have strong controls for credit notes. Unauthorised credit notes can lead to the misappropriation of inventory or stolen deposits from customers. Both of these cases can create a benefit for an employee.

Ensure all credit notes pass through an approval process to validate the claim. Part of this process should involve checking customer details are correct.

In addition, review and analyse credit note trends periodically to identify any anomalies or patterns involving particular employees requesting credit notes to be issued.

Expenses fraud

There are various ways that expenses can be manipulated to conduct fraud, including creditor payments and supplier selection.

Creditor payments

Payments made to creditors present significant scope for fraud to occur. In the absence of strong controls, unapproved, duplicate or overpayments can be made.

Each business has a Vendor Masterfile (VMF) which contains records of its suppliers, including bank account numbers. Weak VMF controls expose businesses to the risk of unapproved changes to a supplier's bank account, allowing funds to be directed elsewhere.

Tips to manage creditor payments and reduce fraud include:

- Establishing an appropriate level of authorisation that is always required for payments to be made, including bank approval to release the funds;
- Reviewing the business's requirements and analyse purchases to identify duplicate or unapproved payments; and
- Segregating duties relating to the maintenance of the VMF, purchasing, authorisation, invoice processing, payments and bank reconciliations.

Supplier selection

Businesses that don't have strict controls for the process of selecting suppliers may be exposed to the risk of engaging false suppliers, or suppliers who charge above-market rates or who provide kickbacks.

Some tips for managing suppliers include:

- Having a rigorous process to ensure that multiple suppliers are examined before selection. This decision should be made at an appropriate level of seniority, reviewed by another employee and appraised periodically; and
- Reviewing supplier arrangements annually to confirm prices are reasonable.

Wages fraud

Two ways that wages fraud can be perpetuated is via changes to employee details, and bonus or leave calculations.

Employee details

In large organisations with many employees, tracking employee details is more difficult. As a result, it exposes these organisations to fraud risk in the form of:

- 'Ghost employees', where a non-existent employee is set up with wages paid to another employee
- False hours, including overtime, being processed, and
- Higher rates paid to employees.

In each of the above cases, it is essential for businesses to have robust processes for employee data management.

These include: conducting periodic checks of employees to verify their existence, pay rate and accuracy of timesheets; and reviewing the procedures for adding and modifying employee details, ensuring all changes are approved by someone who will be supervising the employee.

Businesses should also review terminated employees to ensure no payments are made after they leave.

Leave calculations

It is important for businesses to confirm if sick, annual or long service leave taken by employees is entered into the system. If not, employees could potentially apply for and take leave without it being recorded in the system, giving that employee additional leave.

Businesses should:

- Regularly review leave balances and discuss with managers or supervisors whether balances appear accurate;
- Conduct random checks on leave balances for employees who have returned from leave to see if it has been entered correctly; and
- Introduce a control whereby leave taken or applied for is recorded and used to reconcile with that captured by the payroll system.

Assets fraud

There are various ways an individual can manipulate assets to conduct fraud, including theft of assets and discounted sales.

Asset theft

Theft of assets is the highest fraud risk category in Australia. While there are usually controls in place to monitor assets such as cash, inventory and equipment, how can businesses ensure these controls are always being adhered to?

Actions to take include:

- When conducting stocktakes, confirm the guidelines in place deal with variances and ensure high standards of accuracy required are communicated to employees conducting the count;
- Segregate duties between asset purchases, receiving assets and stocktakes; and
- Conduct random checks to guarantee controls such as safes and alarms are being locked or activated as per the process.

Discounted sales

To help prevent fraud, businesses must clearly understand the worth of its assets, especially when it comes time to sell.

Questions to ask include: is there a clear process relating to the sale of assets which realises the highest value possible? If not, employees are capable of selling assets to related parties and/or under its market value and may be able to receive a kickback.

When assets are sold there should be an approval process in place involving the evaluation of multiple sale avenues.

If assets are always disposed of to the same individual or company, frequently review the agreement in place.

No business is fully protected from fraud, but the best way to deal with fraud is to take steps to prevent it. The cost of investigating fraud once it is found, together with the losses that cannot be recovered, in most cases far outweighs the cost of a prevention system.

How to get over digitisation hurdles

Actually implementing new technology is a challenge-and-a-half for some SMEs. Away from the hype, let's explore how you can tackle this in your firm

by Jason Brouwers

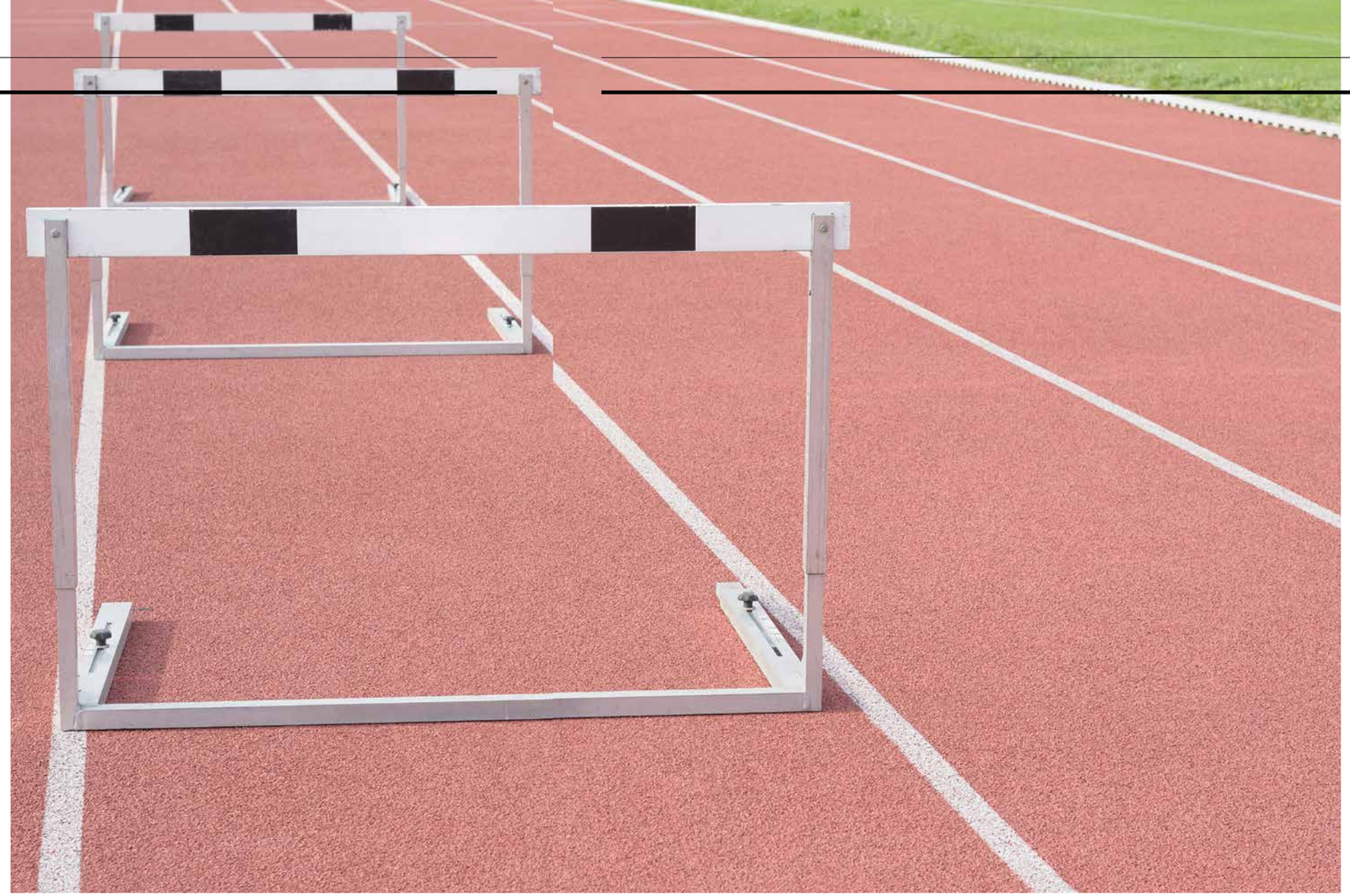
Jason Brouwers, managing director, Partner Business Group, Cisco

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 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-meditum 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 is 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 the 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 that 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' solutions 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.

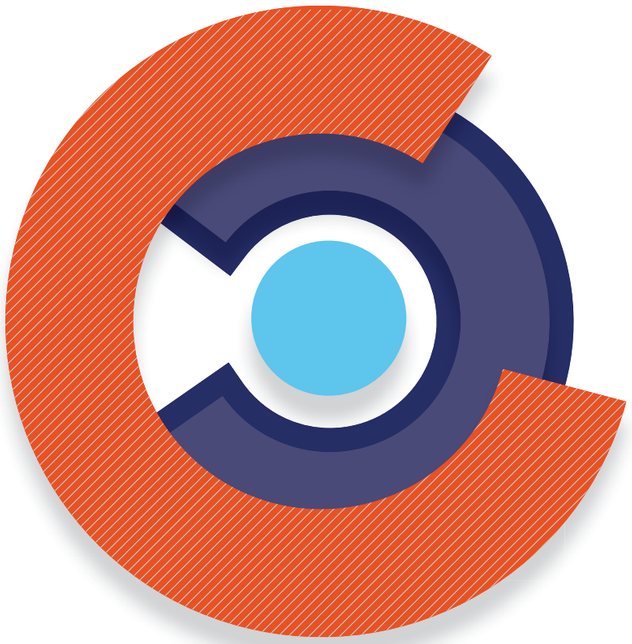
The advice for small to-medium businesses, such as yours, is clear.

Embracing digitisation to remove communication barriers between people, improves collaboration (which improves the quality of inputs and ultimately delivers better decision-making) and accelerates business to deliver 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

What tax reform would you like to see on the table in 2018?



Paul Marini

director,
Advantage Advisors

It is no secret that Australia has a complex tax system. This was highlighted in a discussion paper released by the government in 2015.

Discussing its complexity, it stated, *"Australia's tax system has become increasingly complex over time. Previous government reviews, tax professionals and other stakeholders have expressed frustration and concern about its sustainability"*.

The discussion paper continued, *"There is compelling evidence that simplifying the system would provide significant benefits to both the economy and the taxpayer experience"*.

I have outlined a few areas that, in my view, could benefit from simplification:

Taxation of trusts

Several discussion papers were issued in 2011 and 2012 by Treasury identifying the issues and possible options for reform. However, we are yet to see any major reform.

Division 7A

Division 7A would have to be one of the most common issues tax advisers deal with on a daily basis. Its complexity has increased over the years with patches and fixes added to the initial legislation, thereby adding to the significant compliance burden for taxpayers.

Consolidation

Allowing wholly-owned corporate groups to lodge one consolidated tax return rather than a return for each company in the group sounded good in theory. What we ended up with is a complex set of rules which instead increased the compliance cost for taxpayers who opted in.

Peter Bembrick

tax partner,
HLB Mann Judd

We would like to see tax reform approached with a long-term view and in a systematic way, rather than on an ad hoc basis at the annual May budget announcement, focused squarely on the next election campaign.

Not since the early 2000s, in the wake of the Ralph Report, have we seen major tax reforms of the scale and impact of the tax consolidation regime and introduction of the GST. The more recent Henry Tax Review also covered a lot of ground, but was much shorter on reforms that actually saw their way into the tax law, and at least one key area was placed out of bounds before the review even started.

That key omission from the scope of the review is an area we would like to see given serious attention – a review of the GST system, something that always seems to fall into the 'too hard basket'.

Firstly, consider an increase in the GST rate to, say, 15 per cent to ease the income tax burden through increasing personal tax rate thresholds.

Secondly, we would like consideration of a broadening of the GST base so as to spread the GST cost as widely as possible. In this respect New Zealand has long been the poster child, and the most obvious difference between our system and theirs is our GST-free treatment of fresh food. Simply removing this exemption, with appropriate compensation to welfare recipients, should increase the efficiency of our tax system by shifting more of the focus of taxation away from income and on to spending. Other GST-free supplies such as education and medical services would be more controversial and any potential change to their GST treatment may need more careful analysis.

Lance Cunningham

national tax director,
BDO

The butterfly effect is the 'chaos theory' concept that "small causes can have larger effects in chaotic complex systems". Applying this to Australia's complex tax system, one change in one type of tax can distort the economy if you're not careful. Therefore, tinkering at the edges of our complex tax system can have unintended results.

We need a truly meaningful review of the Australian tax system that covers all federal and state taxes.

Firstly, we have different systems for taxing capital gains, dividends and other investment income. These should be put on a level playing field.

Small business CGT concessions, first introduced to allow small business owners to use their business assets as a form of superannuation, have become too complex and in many cases provide more generous concessions than what are now available for superannuation.

GST is one of the more efficient taxes that is underutilised in Australia. If the GST rate was increased and coverage widened it could replace a number of inefficient or counterproductive taxes like payroll tax.

On that note we also need to greater educate the public about the process of tax reform as has successfully been the case in New Zealand, which has used public consultation to successfully increase the GST to 15 per cent in recent years.

Finally, I agree with the recent October 2017 Productivity Commission report recommendation to replace stamp duty with a broad-based land tax with a provision for low income households to defer property taxes, which may go towards increasing housing affordability.

Gary Chau

lawyer,
DBA Lawyers

It is time the federal government removes the tax exemption for religious institutions. Currently, religious institutions are exempt from paying any income tax and where they are 'basic' religious charities (i.e. small religious charities), there is a special provision that specifically exempts them from lodging annual financial reports to the Australian Charities and Not-For-Profits Commission (ACNC).

A charity, under the *Charities Act 2013*, is defined as a 'not-for-profit entity' and that provides charitable purposes for the public benefit (s5 of the act). Charitable purpose includes advancing religion (s12(1)(d) of the act). However, this requirement can be negated where it is a closed or contemplative religious order that regularly undertakes prayerful intervention at the request of members of the general public (s10 of the act).

A reform of the act should exclude the advancement of religion from the definition of 'charitable purposes' (and the exception under s10 of the act) and should require that for any institution to qualify for income tax exemption as charities, the institution must demonstrate the public benefit of all its activities. Further, all charities should be treated the same by removing the current exemption for 'basic' religious charities from any financial reporting.

Further, there are some religious institutions that operate as businesses. Sanitarium, the company behind Weet-Bix and Up & Go, is exempt from paying income tax since, as it says on their website, they are 'an organisation that operates as a charity'. Reportedly, Sanitarium's income for the FY2015 was $223.5 million.

New reporting paradigm for transfer balance account reporting
The tumultuous changes that took effect on 1 July 2017, are now being worked through, keeping everyone associated with superannuation very busy

New income recognition requirements for not-for-profits
The Australian Accounting Standards Board has issued standards to introduce new requirements to assess when an NFP entity can recognise income

Reduction in corporate tax rate — retrospective rules introduced... yet again
The government and ATO have changed the rules again as to when an entity will be required to apply the reduced corporate tax rate of 27.5 per cent for 30 June 2016 and 30 June 2017

Technical

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

Future developments in financial reporting
IASB's Hans Hoogervorst recently visited Australia and set out the near-term challenges he sees for standard-setters, and preparers and auditors of financial reports

AI is just the beginning
The accounting industry broadly has experienced some rapid change recently, and change has been rapid nowhere more so than for bookkeepers

Technical | Transfer balance account reporting

New reporting paradigm for transfer balance account reporting

The tumultuous changes that took effect on 1 July 2017, are now being worked through, keeping everyone associated with superannuation very busy

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

One of the less talked about issues which has now come to the fore is the reporting of transfer balance information for members in pension phase. Essentially the reporting is required to enable the ATO to manage the newly introduced $1.6 million pension cap. The new super rules have now placed a limit on the total amount an individual can transfer into retirement income stream accounts, such as pensions and annuities. This is known as the transfer balance cap (TBC).

From 1 July 2018, SMSF trustees will be required to report matters impacting an individual member's transfer balance on an events basis. Event-based reporting will not require all SMSFs to report every quarter or every month. SMSFs without any members in pension phase (which is approximately 52 per cent of the SMSF population) will not be required to report anything additional until their members commence a pension, which for some funds may not be for many years.

The verdict

In early November, the ATO announced that the implementation of SMSF event-based reporting will be limited to SMSFs with members with total superannuation account balances of $1 million or more.

From 1 July 2018, SMSFs that have members with total superannuation account balances of $1 million or more will be required to report events impacting members' transfer balances within 28 days after the end of the quarter in which the event occurs.

How we got there

The ATO originally canvassed two possible alternative options in its discussion paper on how often SMSFs with members in pension phase would be required to report events impacting an individual member's transfer balance. The two alternative options for reporting were as follows:

Under Option 1, subject to a few exceptions, SMSFs would have been required to report events 10 business days after the end of the month in which the relevant event occurs.

Option 2 proposed that SMSFs will have 28 days after the end of the relevant quarter to report with two exceptions. Further, under option 2, the ATO contemplates that an appropriate transition period for SMSFs to move from quarterly to monthly reporting of all TBC events may be two years (i.e. until the end of 30 June 2020).

Exceeding TBC

We understand this reporting mechanism is vital for the ATO to minimise the taxation consequences for individual members in instances where the transfer balance cap is exceeded. The taxation consequences for individual members if they exceed the cap is that excess transfer balance tax is payable on the notional earnings associated with any excess. The notional earnings continue to compound daily until the member takes action to remove the excess or the ATO issues an excess transfer balance tax determination. We understand that without visibility of an individual's position in relation to the TBC, the individual is at risk of a continually accruing and increasing taxation liability. Unless a member knows that they have exceeded the cap, then they are not in a position to take action to remove the excess. Similarly, if the ATO does not have visibility and is not aware an individual has exceeded the cap, then they cannot issue an excess transfer balance cap determination.

Current reporting arrangements often mean that a large majority of SMSF trustees only visit their tax agent or accountant once a year to have their financial accounts and SMSF annual return prepared. Often this does not occur until some 10 months after the end of the financial year, and it is not until then that the relevant amounts and values are determined. The majority of SMSF reporting is done on an annual basis. It is estimated that close to 70 per cent of intermediaries who provide superannuation compliance services do so on an annual basis.

The magnitude of what is going ahead cannot be understated as it entails changes in well-entrenched behaviours. Whilst the ATO does not consider a large number of reportable events for most SMSFs, this assumption may not be the case if trustees commute pension amounts beyond the minimum as part of a strategy to manage transfer balance accounts. The commutation of a pension counts as a debit against the current $1.6 million tax-exempt pension limit thereby allowing future super top ups. Where an SMSF member needs to draw above their minimum pension for a particular financial year, by treating any amount over the minimum as partial commutations, the member can, in effect, top up their pension account in the future by the same amount. If this strategy proves popular it can lead to a dramatic increase in reportable events under the transfer balance reporting regime.

Whole-of-industry reporting

The IPA is pleased to see a solution that is specific to the needs of SMSFs. The main issue in the Institute of Public Accountants' (IPA) submission raised in response to the ATO's discussion paper was the fact that there was no distinction on who is targeted as part of the TBAR reporting regime. Whilst we fully understand the ATO has an obligation to monitor the $1.6 million cap, imposing additional compliance cost on all trustees regardless of whether the cap has application is inefficient. The ATO's intention in the position paper was to be in a position to warn fund members approaching the cap and issue notices when it is breached. For trustees with relatively modest superannuation interest it will be highly unlikely that they will ever get anywhere near the $1.6 million cap.

The ATO is in a position to be able to determine fund members who may have or may end up with a superannuation interest of $1.6 million without having every fund member in the country report.

Applying the regime to members that are more likely to exceed their transfer balance limit seems to be a better approach to take as it achieves the desired outcomes without imposing significant compliance cost on the entire pension phase population.

Our other main concern, was the proposal to change from quarterly to monthly reporting in 2020. Monthly reporting is incredibly onerous and costly to fund members. There is a huge increase in cost to move from quarterly to monthly reporting.

We acknowledge that the ATO is cognisant that event-based reporting represents a significant shift from the current annual reporting requirements that apply to SMSFs, not only in terms of SMSF trustees and members themselves, but also those in the SMSF profession who are supporting SMSF trustees and members in managing their retirement savings.

What needs to be remembered foremost is that the greatest risk of not reporting on time is the risk of individual members inadvertently and unknowingly exceeding the cap and facing an increased tax liability. There is a need to balance administrative cost with the need to mitigate this risk of SMSF members being exposed to unexpected and increased excess transfer balance tax liabilities.

The new reporting regime will drive SMSF members, their accountants and administrators towards more highly efficient reporting and administration solutions to ensure investment and account balances in SMSFs are up-to-date and able to accurately and promptly report the required information to the ATO.

Technical | Not-for-profit

New income recognition requirements for not-for-profits

The Australian Accounting Standards Board (AASB) has issued standards to introduce new requirements to assess when an NFP entity can recognise income

by Vincent Sheehan and Junyoung Jeong

Vincent Sheehan, partner, EY

Junyoung Jeong, consultant, EY

The AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*, introduce new requirements to assess when an NFP entity can recognise income and become effective from 1 January 2019

The changes remove the reciprocal/non-reciprocal distinction from AASB 1004 Contributions, which has been criticised because it led to non-reciprocal transfers of assets (including cash) being recognised as income upon receipt even though the NFP entity might have an obligation to provide specific goods or services in exchange. Consequently, the new requirements will delay the recognition of some types of income by NFP entities until a performance obligation is satisfied and may, in some cases, result in the better "matching" of income and expenditure.

An NFP entity now considers whether a transaction where it receives cash or another asset is a contract with a customer that is enforceable and has sufficiently specific performance obligations to transfer goods or services to or on behalf of that other party. If so, the NFP entity would account for the transaction under AASB 15. Otherwise, the transaction would be accounted for in accordance with another Standard, for example AASB 1058.

Basic principles of revenue recognition under AASB 15

The core principle under AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

Identifying whether a contract with a customer exists

There are two elements that must exist for an agreement with an NFP to fall within the scope of AASB 15:

- The agreement between two or more parties must create enforceable rights and obligations.
- The NFP entity's promise to transfer a good or service must be sufficiently specific.

FACTOR TO CONSIDER	EXPLANATION
Customer	A customer is the party that promises consideration in exchange for goods or services. A customer may also direct that the goods and services be provided to third party beneficiaries (including individuals or the community at large) on its behalf.
Contract	Contracts/agreements do not need to be written, but can be oral or implied by the NFP entity's customary practices in performing or conducting its activities.
Enforceable agreement	The term 'contract' refers to an agreement with another party that creates enforceable rights and obligations. An agreement with a NFP entity may be enforceable "through legal or equivalent means". A contract would still be enforceable despite a lack of history of enforcement and despite the customer's intention not to enforce. Enforceability depends on the party's capacity to enforce. The ability of a party to withhold future funding, or general statements by the NFP entity around its intended use of funds are not, of themselves, sufficient to create enforceable arrangements.

The table on the preceding page outlines some of the factors to be considered in determining whether an NFP entity has a contract with a customer.

Identifying whether a performance obligation exists

Once an NFP entity has identified a contract, it would then assess if it has promised to transfer any goods or services to the customer (or to a beneficiary on the customer's behalf. In accordance with AASB 15, a promise to transfer a distinct good or service to a customer is a performance obligation. If a contract includes a performance obligation(s), revenue will be recognised only when the performance obligation is satisfied by transferring the promised goods and services.

For a performance obligation to exist in respect of an NFP entity, the promise to transfer a good or service must be sufficiently specific to be able to determine when the obligation is satisfied.

In determining this, judgement would be required taking into account any conditions specified regarding the promised goods or services, including the:

- nature or type of goods or services;
- cost or value of the goods or services;
- quantity of the goods or services; and the
- period over which goods or services must be transferred.

A promise to transfer goods or services over a particular time period does not, of itself, meet the sufficiently specific criterion. Accordingly, a condition for a grant to be used by an NFP entity during a particular year to provide unspecified goods or services would not, of itself, meet the sufficiently specific criterion. Similarly, the existence of an acquittal process would not give rise to a performance obligation.

Consequently, if an NFP entity either promises goods or services, but not as part of an enforceable arrangement, or makes promises that are not stipulated in sufficient detail to be able to determine when they are satisfied, then any inflows related to that arrangement would not give rise to revenue from a contract with a customer, and would not be in the scope of AASB 15 but be accounted for in accordance with AASB 1058.

Donations

The standard contains a rebuttable presumption that the consideration promised in a contract relates wholly to the identified performance obligations. This means that it is not necessary for an NFP entity to identify or recognise separately the donation component of a contract, but instead allocates all of the transaction price to the performance obligations in the contract.

Should an NFP wish to identify and recognise a donation component, it will need to rebut the presumption that the transaction price relates wholly to the performance obligations. It can do this in relation to that part of the consideration which is:

- Not refundable; and
- Where the NFP entity has Deductible Gift Recipient (DGR) status – the donor can claim a tax deduction for part of the transaction price.

'Peppercorn' leases

Under current requirements, a below-market lease that is classified as a finance lease is measured at a negligible amount, which understates the NFP entity's lease asset. To address this, AASB 1058 amends AASB 16 Leases such that NFP entities will be required to measure the lease asset, including right of use assets under AASB 16, at the fair value of the leased property at inception of the lease. Consequently, the difference between the lease liability measured at the present value of the 'peppercorn' lease rental and the fair value of the lease asset would be recognised as income in accordance with AASB 1058.

Similar amendments have been made for other non-financial assets that are acquired at a discount to their fair value.

The transition rules of AASB 2016-8 essentially grandfather existing below market leases until the new leases standard applies. The practical implication of this is that NFP entities with peppercorn lease arrangements will not be required to change their current lease accounting until AASB 16 becomes effective (periods beginning on or after 1 January 2019). Leases recognised on transition to AASB 16, and new leases entered into thereafter, will result in the off-market component of the lease arrangement being recognised immediately in the income statement.

Other issues

AASB 1058 also includes specific requirements for donated goods, volunteer services and research grant income.

AASB 1004 Contributions has also been amended to limit the scope of AASB 1004 for certain issues related to a public sector entity.

Technical | Corporate tax

Reduction in corporate tax rate – retrospective rules introduced... yet again

The government and ATO have changed the rules again as to when an entity will be required to apply the reduced corporate tax rate of 27.5 per cent for 30 June 2016 and 30 June 2017

by Peter Gillies and Alexis Kokkinos

Peter Gillies
client director,
Pitcher Partners

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The government has introduced legislation into Parliament (*Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017*) clarifying when the reduced corporate tax rate of 27.5 per cent will apply to companies for the 30 June 2018 income year (i.e. 2017/18) and subsequent income years.

For 30 June 2017 (i.e. 2016/17), the ATO has also released a draft ruling setting out its view on when a company would be regarded as carrying on a business and thus will be required to apply the reduced corporate tax rate for that income year only.

Both documents dramatically change when the reduced corporate tax rate will apply and accordingly all companies should review their position to understand the impact of these changes. Please note, this article does not deal with companies that have substituted accounting periods.

What are the criteria for the 2016/17 income year?

A company will be entitled to the 27.5 per cent corporate tax rate for 2016/17 if the company carries on business in that year and its aggregated turnover for that year is less than $10 million. The corporate tax rate for a company that does not satisfy these requirements will remain at 30 per cent.

When does a company carry on a business for 2016/17?

The ATO has released a draft ruling (TR 2017/D7) providing guidance on when a company carries on a business for this purpose. In doing so, the draft ruling examines a number of examples: a company with unpaid entitlements from a discretionary trust, a company holding rental properties, a company holding a share portfolio, and a holding company owning shares in a trading subsidiary.

What if there is an error for the 2016/17 income year?

In response to the uncertainty around the 'carrying on a business' test prior to the release of the draft ruling, the ATO has announced that it will adopt a 'facilitative approach' to compliance in relation to that issue for the 2016/17 year. In particular, the ATO has placed the following statement on their website:

"We will not select companies for audit based on their determination of whether they were carrying on a business in the 2016/17 income year, unless their decision is plainly not reasonable."

We note that it is unclear from this statement whether a corporate beneficiary that has applied a 30 per cent tax rate for corporate tax and franking would be allowed to retain the rate or would be required to amend all tax returns. Clarification is being sought on this issue from the ATO.

What are the criteria for the 2017/18 and later income years?

For 2017/18 and later years, the legislative amendments contained in the bill will apply. A company will be entitled to the reduced corporate tax rate if its aggregated turnover is under the relevant threshold and no more than 80 per cent of the company's income is passive income.

There is no requirement that the company carry on a business to access the reduced rates for 2017/18 and later years. The corporate tax rate for a company that does not satisfy these requirements will remain at 30 per cent.

For completeness, legislation is currently before Parliament to implement the second phase of the government Enterprise Tax Plan, which will seek to progressively extend the reduced tax rate to all companies (i.e. which will remove the turnover limits).

What constitutes passive income?

In broad terms, the passive income of a company will comprise dividends (and attached franking credits), interest, rent, royalties and net capital gains. In addition, a company's entitlement to assessable income consisting of partnership or trust income will be regarded as passive income to the extent it is referrable to an amount that is passive income as defined.

Further, the bill requires tracing through interposed partnerships and trusts in determining whether the amount flowing to the company is referrable to passive income. Helpfully, the explanatory memorandum that accompanied the bill confirms that an amount flowing through a trust will retain its character. Thus, trading profits distributed by a trust to a corporate beneficiary (whether directly or through one or more interposed trusts) will not be regarded as passive income of the corporate beneficiary.

RELEVANT THRESHOLDS AND TAX RATES

INCOME YEAR	AGGREGATED TURNOVER	TAX RATE (%)
2017/18	$25 MILLION	27.5%
2018/19	$50 MILLION	27.5%
2024/25	$50 MILLION	27.0%
2025/26	$50 MILLION	26.0%
2025/26	$50 MILLION	25.0%

Are there any exclusions from passive income?

Importantly, non-portfolio dividends – those received by a company holding at least 10 per cent of the voting shares in the dividend paying company – are specifically excluded from passive income.

Do the changes affect franking?

They do! The answer depends on whether the focus is on the franking rate for 2016/17 or 2017/18 and later years. Please note that if the dividend is paid on or before 30 June 2017, the rules for 2016/17 apply. If the dividend is paid on or after 1 July 2017, the rules for 2017/18 apply.

What are the franking rules for 2016/17?

For 2016/17, the franking rate is based on the applicable company tax rate for that year worked out on the assumption that the company's aggregated turnover was equal to its aggregated turnover for 2015/16.

If the aggregated turnover for 2015/16 was less than $10 million and the company carried on business in 2016/17, the franking rate would be calculated by reference to the 27.5 per cent rate. If one of those requirements was not satisfied, the franking rate would be calculated by reference to the 30 per cent rate.

What happens if you get the franking credit incorrect?

It is conceivable that dividends paid on or after 1 July 2017 (with respect to 30 June 2017) may have been franked at 30 per cent instead of 27.5 per cent. As outlined earlier, the ATO has noted it will not be looking to audit such cases. Furthermore, a draft practice statement (PCG 2017/D7) provides for a reduction in penalties and interest in such cases.

Are there any special rules for a new company?

There is one important proviso to the franking rules outlined above. That is, the company must have existed in the prior year. Where a company did not exist in the relevant prior year, the franking rate for the year is determined by reference to the relevant reduced corporate tax rate.

Thus, a company incorporated on 1 July 2017, would be required to frank any dividend paid in the 2017/18 year by reference to the 27.5 per cent rate.

What are the next steps?

Due to the many permutations, it is critical that companies carefully consider their position. This includes reviewing whether the 'carrying on business' requirement is satisfied in respect of 2016/17 in light of the draft ruling; whether dividends paid in 2016/17 and 2017/18 have been franked at the correct rate and (if not) what corrective action should be taken; and how the changes in the bill impact the existing group structure.

Companies should contact their accountants/tax advisers to review their situation and determine what action is required well before 30 June 2018.

Technical | Financial reporting

Future developments in financial reporting

Hans Hoogervorst, the chair of the IASB, recently visited Australia. In his speech, he set out the challenges he sees for standard-setters, and for preparers and auditors of financial reports over the next few years

by Ralph Martin

Ralph Martin, national technical director, RSM Australia

The initial focus is inevitably on the wave of significant new accounting standards due over the next few years, which will affect virtually every entity which prepares financial statements. However, Mr Hoogervorst noted that the key challenges extend beyond just the technical requirements of new accounting standards, and went to the heart of the purpose and usefulness of financial statements as a relevant source of information for investors and other stakeholders.

With this in mind, this article highlights the trends in financial reporting that are likely to be of greatest impact over the next few years.

The initial challenge

The next three years will see significant changes to accounting standards, in particular to the big three areas of revenue, leases, and financial instruments. All three areas were recognised as being problematical under the previous standards due to diversity in practice, over-complexity, or standards resulting in outcomes not in keeping with the underlying transactions. The new standards were also part of an attempt to converge IFRS with US GAAP, and thereby create a truly global set of financial reporting standards, although significant differences remain between the two frameworks, and there appears to be little appetite by either party for achieving full convergence in the near future.

Revenue

AASB 15 Revenue for Contracts with Customers is applicable for periods beginning on or after 1 January 2018. It replaces a 20-year-old standard which contained minimal guidance. The new standard sets out a five-step process for revenue recognition:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

This will likely result in revenue recognition outcomes closer to the commercial substance of transactions. Put simply, the new standard requires preparers to work out what they have promised to their customers, and recognise revenue when those promises are met. However, application of the detailed requirements is likely to result in greater complexity in recognising revenue, as contracts containing multiple different promises to a customer must be split into their component parts, with the value of each promise determined and recognised separately. Contracts which contain ancillary services, such as maintenance or technical support, are likely to have multiple performance obligations. There will be greater deferral of revenue in many instances, particularly since AASB 15 allows revenue to be recognised only where it is highly probable that recognition will not be reversed.

For many entities, the biggest challenge may be the changes to accounting systems necessary to apply the standard.

The impact will vary by industry. The construction and engineering industries, software businesses, and any others engaging in complex long-term contracts will be significantly affected. Seemingly more straightforward industries, such as retailers or wholesalers, may initially think that the effect is minimal, but it is important for all companies to consider the full range of impacts. For example, issues such as volume discounts for large customers, customer loyalty programs, or the right for retail customers to return unwanted purchases could all significantly impact how income is recognised.

Leases

The new lease standard, AASB 16 Leases had a difficult birth, going through several different exposure drafts. As a result of this lengthy process, it comes into effect one year after the revenue standard. At its heart is the concept that a lease contract represents a liability of the entity, and therefore that liability should be shown on the balance sheet. The necessary corollary of this is that the right to use the leased asset must also be recognised. As a result, there is no longer 'rent' as an expense. Instead, companies will recognise interest on the lease liability, and depreciation on the right-of-use.

The increase in liabilities recognised will significantly impact gearing ratios and the level of indebtedness, particularly for sectors that make extensive use of leases, such as retail or transport.

The new model means that the expense of a long-term lease is no longer recognised on a straight-line basis. Instead, since it is partly treated as interest, the cost is front-loaded, with a greater expense being recognised in the earlier years of a contract.

Financial instruments

The new financial instruments standard, AASB 9, is perhaps the most overlooked of the three, as there is a common misconception that it only significantly affects banks and financial institutions. While the 'expected credit loss model' will impact banks the most, any business with trade receivables will require a new approach to assessing their impairment. It will no longer be permitted to wait until a receivable is past due before a provision is recognised. Instead, entities will have to estimate the expected loss on their entire trade receivables balance.

Transition

The new standards allow the use of a modified retrospective approach to transition. This means that, instead of full retrospective restatement of comparative results, only those contracts open at the date of adoption are recalculated as if the new standard had always applied, and any difference is recognised directly through equity. While this may lessen the burden of transition, it may make financial statements more difficult to compare, since an entity may end up reporting three consecutive years under three different sets of standards.

The future

Once the changes above are implemented, the expectation is that there will be a relative period of calm in accounting standards. While significant changes to the standards themselves may reduce, the next key area of focus for preparers is likely to be making their financial statements more relevant and easily comprehensible to users. This involves using them as a communication tool to tell investors the story of what is happening in the business. The ever-increasing length of financial reports means that many readers now question the value of much of the information contained within them.

The IASB has already made one small but significant change in this area, by changing the standards to emphasise the application of materiality in preparing financial statements. In particular, it has emphasised that materiality applies to disclosures, and that a disclosure required by the standards should only be included where it provides relevant information to users. Indeed, inclusion of too many immaterial disclosures may sometimes be seen as an attempt to distract from more relevant information.

The IASB's recent paper on Better Communication in Financial Reporting gave an insight into the Board's proposed direction. There was a strong emphasis on refreshing the usefulness of financial statements by treating them as an important communication platform rather than a compliance tool. This included emphasis on:

- Use of clear, plain English, in relatively short sentences, rather than technical language;
- Changing the order of the notes to the financial statements to group relevant items together, and including details on accounting policies together with the relevant note; and
- Increased use of charts and graphics to present data more clearly.

By adopting these principles, financial statements can be used to help investors better understand the story behind the results presented, and to retain their relevance even in a world where traditional methods of communication are subject to rapid digital disruption.

Technical | Artificial intelligence

AI is just the beginning: technology will keep changing how us bookkeepers work

The accounting industry broadly has experienced some rapid change recently, and change has been rapid nowhere more so than for bookkeepers. We have seen changes not just in terms of how we interact with our clients, being more connected and available than ever, but how we perform the core tasks of our role

by Chris Paterson

Chris Paterson, managing partner, Business Services, Crowe Horwath Australia

A huge shift in this change has been the emergence of artificial intelligence (AI) technology, the almost logical next step from offshoring. What had become a common practice for some of the biggest firms, has been replaced by technology with programs replacing human capital. The disruption of automation has been huge, it levelled the playing field and very quickly had an effect on the profitability or lack thereof for every bookkeeper in Australia. But what's next? How do we prepare? How do we adapt?

Bill Gates recently discussed the issue of AI technology and machine learning replacing humans in the workforce, stating he feels machines should pay income tax. It's an interesting idea – the machines that replace staff should pay tax just as a human doing the same role would. The effect of such a development would have a major effect on all industries but none more so than accounting and bookkeeping. Accountants and bookkeepers, one of the leading industries in adopting AI, would face major changes in profitability themselves but it opens up clients to the same challenges.

Great change often spurs even greater internal industry shifts as businesses, clients and professionals look to adapt to the new landscape. Bookkeepers are only at the beginning of this journey. While we have begun to adopt these new technologies, more will follow and as technology advances, what clients expect and what is considered the industry standard will also change rapidly. Being 'tech forward' just a few years ago would likely mean having everything in an excel document to share. In a few years, 'tech forward' will likely mean using AI for everything but management. How quickly things change.

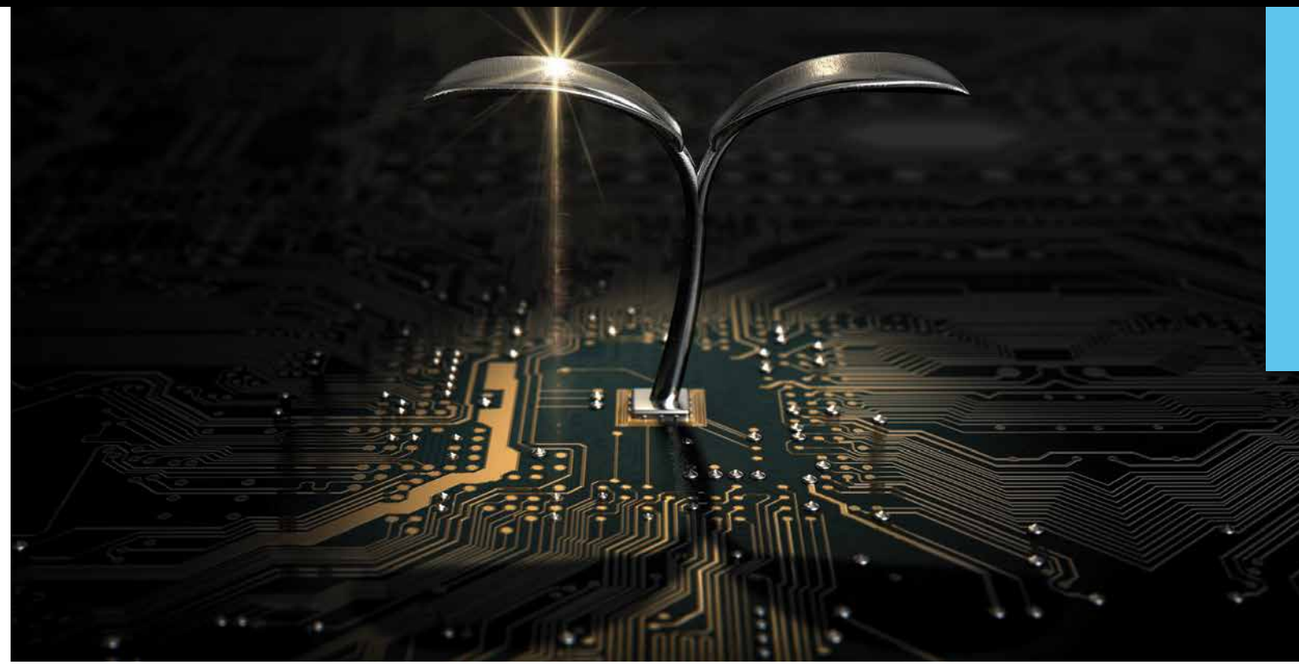
Change might even bring implications to how clients see the role of their bookkeeper for their business. Clients will start seeing bookkeepers as professionals having the power or knowledge to drastically alter organisational structures to improve financial health in the short term, a possibility leading to huge increases in client demands. It is an emerging trend already. Clients more often than before see bookkeepers as advisers to their business, beyond the traditional transactional role we once played.

The important consideration, how does the change in client demand affect the industry landscape? How clients see value in the services they are paying for has already caused some big shifts for accountants broadly. Just this year, all four of the biggest global accounting firms have changed internal structures in order to provide better services for their existing clients, while also looking to grow down, working with smaller businesses.

What would have been an impossibility – the big four having small business clients with lower turnover, without the advancements of technology, is now a reality. The adoption of automation and machine learning is making core responsibilities more cost efficient, changing what firms can work with what clients.

Now though, smaller bookkeeping firms face the prospect of competing for clients with the largest firms on the globe, all with access to international networks of advisers, tax agents, accountants and consultants, far beyond what mid-level and smaller firms can offer.

Being a bookkeeper is set to change, even more rapidly than it has over the past five years however, to better understand what a major technological change like the emergence of AI will have in the industry, we should look beyond what our competitors are doing. How will government react to this change? Government priorities often differ with industry and technology creating a huge divergence of priorities. While we will look to find efficiencies and provide the best, most useful products to our clients, government works from a different perspective and is often slower to adapt to change.



In some cases, government support is welcome, providing protection to industries and workers, allowing us to be competitive on the international stage. The Turnbull government set out some years ago to spark an innovation revolution, supporting advancement and disruption. The federal government's 'ideas boom', announced in December 2015 was expected to be a game changer. In many ways, things have not progressed as was expected but we should not expect that trajectory to remain.

Overseas, governments have toyed with the issue of machines replacing humans in the workforce, commenting sparingly on this topic. It appears that many public agencies have not fully grasped just what a major change technology will bring to medium and low-skilled households. Government coming late to the party often means we are heading towards reactionary, protectionist policies. Couple this with the global phenomenon of the emergence of nationalist, populist policies in the US and Japan and we are headed to unknown territory.

It is not just government that's weary of technology being more advanced than workers. Elon Musk, one of the great thinkers and innovators of our time, has warned for some time that robots will be able to do everything better than humans and has warned governments to prepare for inevitable change.

Again, being ahead of change is more than just being ahead of competitors, we must try to preempt what governments will do. If governments move away from their desire to embrace technology and implement protectionist policies for voters, how does that impact businesses looking to use platforms like AI and machine learning?

The impact of such a drastic policy shift will have a greater effect on the accounting industry than many others. While we will have to adapt to the changes when running and organising our own businesses, we will also be required to act as advisers to clients. Not only must we plan for our own futures, but the futures of our clients too.

No business is exempt to change or advancement. While our industry is going to continue to experience rapid disruption, it is something we should embrace, find time to analyse and plan for, because every change presents an opportunity to grow your business and your skills. This change should be in the back of your mind when making any decision for your business.

Something that has exploded into prevalence is how, in some cases, university graduates are deeply unprepared for working in our industry. It is another area where we as leaders should take initiatives in creating education courses for our new staff.

It's time to consider yourself as an adviser, not only to your clients, but to your own business and staff. Take time to think ahead and plan for what is coming. Great change, something that for us as accountants appears to be an inevitability over the next decade, brings with it great opportunity.

If managed correctly, we as an industry can elevate ourselves beyond the status quo and transform into something more valuable to businesses.

As your clients are looking for more professionals that can help them through the changes they are experiencing in their respective industries, bookkeepers creating new niches for themselves in client advisory is one that we shouldn't ignore.

Register of members

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

Admitted as AIPA

New South Wales
Mohamad Abdallah
Hedra Abdo
Gizem Akkoc
Dhurgham Al-Sulaimawi
Shafiqul Alam
Stephanie Foley
Nicholas Gregor-Sonter
Sajid Hussain
Darshan Jhajj
Huu Le
Afiya Levy
Xinlin Li
Carlos Malagon Rincon
Stephane Marie
Jayshree Mulliah
Taeko Nagasawa
Mohiuddin Quader
Ali Refai
Nita Tan
Indra Tengara
Dilruk Wasalage
Muhammad Yousaf

Victoria
Alexandra Antonysen
Emma Bedford
Katelyn Belcher
Emma Bell-Inskip
Stacey Bence
Anushka Bhandari
Michael Biggs
Sam Bond
Ozlem Cakir
Winson Chandra
Renae Conforti
Nicholas Decleva
Fengming Dong
Alice Edwards
Binuri Epitawalaarachchi
Surekha Fernando
Dinali Goonatillake
Thomas Green
Declan High
Antoinette Hoang
Sandy Hoffmann
Shimon Jose
Luke Kavanagh
Emily Kaye
Mark Kinnear
Mohit Kumar
Dulari Kumarapeli Arachchige
Anh Thao Lam
Nicole Laws
Kerrie Luciani
Lucy Marotta
William McTaggart
Jennifer Morris
Jasmine Nguyen
Timothy Nilsson
Jayram Nimmagadda
Charles Opatha
Kin Lok Phang
Oscar Ramos Pena
Sreekala Shibu
Si Si
Vernon Singh
Blagoja Sokoleski
Cindy Soo
Ling Sou
Harsh Taparia
Chui Sim Thong
Jonathan Toh
Jayden Vermeulen
William Vong
Cecilia Voss
Harrison Wines
Shelley Wood
Benjamin Woodbridge
Yijia Zhao

Queensland
Darren Craddock
Nicola Durcan
Xinyue Guo
Deniz Kandemir
Henry Leef
Chelsea Mitchelson
Hae Yong Oh
Rachael Paton
Amanda Purdy
Leyland Roberts
Seton Samson
Sanjeev Sharma
Daniel Simmonds
Vanessa Weaver
Kuniko Wiggins
Dimitra Zuniga

South Australia
Rui Lin Chin
Susanto Chin
Tanya Christie
Jacqueline Hawkins
Steven Johnson
Sian Rundle
Janet Spadavechia

Western Australia
Subhash Manavar
Joselyn Navarro Salgueiro

Tasmania
Henry Austin-Stone

Australian Capital Territory
Angeline Shakespeare

Overseas
Himanshu Gupta

China
Fu Rong
Yang Yongxin

Admitted as MIPA

New South Wales
Zaheer Abbas
Imran Arshad
Andrew Blundell
Paul Bogiatto
Jorge Bonilla Bidondo
Nigel Bubalo
Michael Burgess
Yong Cai
Gary Campbell
Sarah Cartwright
Nodan Chhetri
Andrew Clinch
Mary-Louise Cross
Maria Teresa Cruz
Rosetta Daidone
Bernadette David
Wayne Gilholme
Bipul Gyawali
Ehtesham Haq
Sung Ho Heo
Arif Huq
Huo Quan Kuang
Jennifer Laurence
Katherine Lazcano
John Motyka
Luis Navera
Peck Neo
Keith Parker
Barbara Payne
Nguyen Phan
Danielle Plaskitt
Muhammed Rahman
Michelle Rayner
Rebeka Schroeder
Hayley Scotcher
Maulik Shah
Krishan Sharma

Admitted as FIPA

New South Wales
Hany Abdel-Sayed
William Camphin

Victoria
Christine Contessotto
Kalliopi Katsamoundis
Nicholas Katsamoundis

Queensland
Scott McDonald

Western Australia
Helen Hardegen
Bernard Hoey
Sharon Hubbard
Anthony Sheman
David Shomrei-Ya'aqov
Adam Shultz
Cathy Simmonds
Mark Somes
Chris Theodoros
Jim Vass
Paul Vincent
Melissa Welsh
Sumit Yadavi

Victoria
Michelle Breeden
Lindsay Broadway
Sean Buntine
Baljinder Chauhan
Leonard Cockram
Paul Davies
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Deceased
The board of directors notes, with regret, the passing of the following members:
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Kim Ly, FIPA FFA, New South Wales

Harry Youssef, FIPA FFA, New South Wales

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