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INSTITUTE OF PUBLIC ACCOUNTANTS®

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

The time is NOW

Gender inequality in accounting is at unacceptable levels, and in the absence of government policy, it's time for change at the grassroots

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HOW AN ENTREPRENEUR MADE RELAXATION SCALABLE

| COST-EFFECTIVE PHILANTHROPY FOR SMEs | CLIMBING THE SALARY LADDER | RETHINKING EDUCATION |

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Features

Corporate social responsibility (CSR) has always been in the IPA's DNA, but right now, we have a few key missions and messages that we want members to get involved in.

First, and as we ran through in detail last month, the IPA is set on showcasing the positive correlation between the SME clients' mental health and a public accountant. The results so far have shown that, overwhelmingly, triggers for depression and anxiety are significantly lessened when an accountant steps into the picture.

Importantly for the members and the profession alike, a universal and united push towards gender equality is now non-negotiable. Businesses work better when there's diversity in the ranks, and on the issue of missed opportunities and the gender pay gap, enough is now well and truly enough.

Finally, in this issue, throughout our regular sections, we show you how you can efficiently and economically integrate CSR into your practice.

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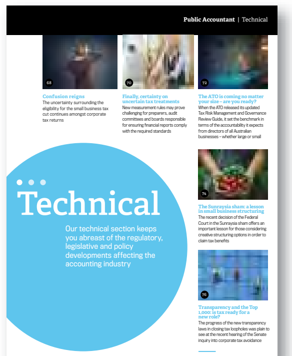
50 Making cents

From fleeing her war-torn country to building two successful businesses, IPA member Natasha Janssens explains how she's kept pace with financial services by embracing challenges head on

by Jotham Lian

"The beauty in.... working with smaller businesses, I got to work very closely with successful entrepreneurs and business people and learn directly from them"
– Natasha Janssens



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President's report

Incredible year by all accounts

Having just written my report as contribution to the IPA's annual report, I am delighted to say that 2016/17 was an exceptional year for the organisation.

The organisation finished the year with a strong financial position with the IPA Group revenue at approximately $19 million. There is no doubt that member growth has been a significant contributor with new admissions exceeding 2,000 and a healthy retention rate of more than 92 per cent (that retention rate is exceptional), so I am grateful to our loyal members. New Professional Practicing Certificate (PPC) holders admitted for the year showed an increase of approximately 10 per cent which was also promising.

We witnessed an increased level of Continuing Professional Development (CPD) attendance, with some amazing events including our National Congress in Melbourne, state-based congresses and symposiums, and for the first time, an Australian event overseas in Nouméa with over 80 delegates.

Extensive work was undertaken to review our brand as a whole, which included extensive direct member consultation. This review saw the recent update to the IPA brand, something that we should all be proud of as it reflects a more up-to-date and modern feel.

As part of this consultation with members we were also informed that you wanted to know more of our advocacy effort on your behalf and on behalf of small business. A new newsletter, entitled Activate, heralding this activity has now commenced.

Strategically, as a board and executive, we also revisited the vision of the organisation and as such we articulated the purpose of the organisation as being: *To improve the quality of life of small business.* As a result we changed our vision to be: *For every small business to have one of our members by their side.*

To demonstrate our commitment to the small business sector, the IPA team has been conducting a small business roadshow around Australia, gaining further insights from small business as part of the development of the second edition of the Australian Small Business White Paper.

I am looking forward to the draft of this document later in the calendar year; it will form many policy recommendations to government and will be the basis of ongoing advocacy work. The second edition will also cover areas not covered in the first edition such as cyber security and the mental health and wellbeing of small business.

The IPA has also completed an incredible amount of work with Deakin University to introduce a Master of Business Administration (MBA) as its Professional Program. This opens the door for members wanting to diversify and grow their business. I encourage our members to seriously consider this opportunity; an MBA that can be achieved in half the time and half the cost of any MBA program offered across Australia is something that we should be very proud of and keen to support.

Damien Moore FIPA FFA

From the CEO

White Paper MK2 on the way

The IPA team and I have just concluded a roadshow around Australia gathering insights from small businesses which will be further validated by research conducted by the IPA Deakin SME Research Centre.

We held breakfast forums in Perth, Brisbane, Canberra, Geelong, Darwin, Adelaide, Wagga Wagga, and Parramatta and concluded with a roundtable event with industry, political and regulatory leaders in Parliament House in Canberra.

The outcome of all of this work will be the second edition of the Australian Small Business White Paper which we launched in 2015. We are working to have the first draft of the new edition by the end of the calendar year.

While it has only been two years since publishing the first edition, the world marches on and for the IPA to maintain our advocacy focus for small business, we must continue our research and validation of policy recommendations we put forward to government. As an example, of how things change, when we wrote the 2015 version, cyber security did not get raised by small businesses as an issue but now it is very much an issue.

We will also be seeking to validate a theory that the mental health and wellbeing of a small business is enhanced by early engagement with their accountant.

The White Paper will form the basis of ongoing advocacy and lobbying work which will be even more important as we go into a federal election year in 2018.

PSC scheme

We continue to work with the Professional Standards Councils (PSC) for a national PSC scheme and we were very pleased that the PSC has endorsed an extension of our existing scheme in NSW to the rest of Australia via mutual recognition.

We are currently liaising with states and territories to implement the relevant legislative instruments.

The IPA supports the principle guiding professional standards legislation. The very existence of the PSC schemes provide clarity and certainty to professionals and importantly the public that the professional they are engaging with is appropriately covered. This is why we have been working constructively with the PSC to implement a national scheme. Our scheme is very straightforward. All IPA members in practice must maintain a minimum professional indemnity insurance cover of $1 million.

It is important to note that the scheme reflects the professional standing of the IPA membership which we respect. Ultimately, members of the public trust public accountants; our members need to live up to those expectations.

Members of CPA Australia wishing to retain protection of a limited liability scheme should consider applying for an IPA Professional Practice Certificate now and they will become automatically covered when it becomes law very soon.

Andrew Conway FIPA FFA

Sponsored content

Innovative platforms elevating accounting practices

Disruption in the platforms industry has created new and innovative solutions that can benefit accountants and their clients

In the old platform world, there was no cloud technology, automation, integration or mobile apps. Platforms were seen by the accounting profession as costly and time consuming for them, with many catering only for the adviser market. But with major changes occurring in the SMSF space, there's been a shift in the way accountants and clients think about platforms, and a growing number of innovators who understand their potential.

What your clients want

The use of platforms continues to grow with SMSF accountants indicating that one-third of their SMSF clients are administered on an investment platform[1]. Clients are driving change in this space through an increasing appetite for access to their portfolio, whenever and wherever they want.

Platforms can reduce the friction that exists between accountants, trustees and advisers in terms of what they can see within their portfolio. Clients expect on-demand access to a "whole of wealth" view, not just for themselves, but for their trusted advisers as well. This includes complete visibility of their information across investments, SMSF, super and insurance, with the ability to access everything on a device of their choosing.

How can BT help?

At BT we've significantly invested in our technology to meet the growing needs of accountants and their clients. We've rebuilt our systems with a focus on customer-centred design and implemented an agile development process to ensure that our platform can deliver real value.

With BT Panorama, we are looking to reduce the friction, enhance collaboration and provide services that appeal to different segments of the market when they need them. This approach and the tools we provide are all part of our mission to support the trusted accountant relationship.

BT Panorama's SMSF solution

We know that accountants are critical to the success of their client's SMSF, with 94 per cent of accountants actively seeking assistance to better service their SMSF clients[1]. So at BT, we've focused on tools to make administration easier for accountants and ways to provide an enhanced investment experience for their clients.

BT Panorama delivers a new wealth experience for your clients, with everything all in one place. They can view their portfolio and transact on the go through a dedicated mobile app, providing them with 24/7 access to their information. And they can share this up-to-date information with their accountant and adviser.

What does this mean for accountants? It's a much simpler way to work with clients and advisers through dedicated accountant access, with a "whole of wealth" view, and the ability to generate up-to-date tax and investment reports online. This ultimately helps to save time, and improve efficiency, with accountants able to provide more timely tax advice to their clients.

What does the future look like?

Platforms like Panorama are creating new opportunities for accountants. As the line between adviser and accountant blurs, it's important to have access to tools that support new services while integrating with existing software. Data feeds and integration allow platforms to enhance the client experience and connect with accounting software such as Simple Fund 360, Class Super and SuperMate to automate data entry.

Become an innovator

Platforms have come a long way from the old technology of the past. If you're ready to take the next step, there's a number of ways you can embrace the future. BT has events, webinars and online resources to help you elevate your business using platform technology.

BT Panorama is the smarter way to manage SMSFs. To find out more visit www.btpanorama.com.au/accountants

1. Investment Trends 2017 SMSF Accountant Report, based on a survey of 1,248 accountants in public practice.

IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as ATO outages, mental health, and small business tax cuts

Brand refresh

A brand is much more than a logo. It is about what we say and how we say it; the language we use and the way we engage with our members, colleagues and external stakeholders.

– Andrew Conway, Accountants Daily

ATO offline

The ATO negotiated compensation from Hewlett Packard Enterprise in relation to the December and February outages via an out-of-court settlement, so they were compensated for some of the impacts, but unfortunately for the users, there was nothing in the wind other than an apology.

– Tony Greco, *selfmanagedsuper*

The power of three

The creative design of the logo is built on what we are referring to as the 'power of three' and gives us much flexibility in our marketing approach as it could relate to the collective of our members, their small business clients and our business.

– Andrew Conway, *Selfmanagedsuper*

Homegrown MBA

As the only Australian professional accounting body offering an MBA as its professional program, we believe our program raises the bar to meet the expectations of clients and businesses.

– Andrew Conway, Accountants Daily

Qualified to help

Lifting the bar will ensure our members are best placed to serve and advise their small business clients while providing an enhanced opportunity to diversify and grow their business and professional opportunities.

– Andrew Conway, My Business

Tech downtime

While some of our members have called for compensation, we are realistic in our expectations. However, it should be recognised that accountants and tax agents have worn the brunt of this issue over many years.

– Andrew Conway, SMSF Adviser

Reliant on ATO

To give context to the significance of this (ATO outages) issue, 74 per cent of taxpayers go to a tax agent to look after their affairs and 95 per cent of businesses... Consequently, our members do the heavy lifting and are reliant on the ATO systems to service their clients.

– Andrew Conway, *Money Management*

Too little too late

Our members have received many apologies over the last number of years but we are getting to a point where an apology is probably not enough anymore.

– Tony Greco, *ABC Radio*

New member benefits

We will be working with AAT to extend new member benefits which will include: further education pathways; access to continuous professional development; discussion groups and networking opportunities; technical advice; and, ongoing advocacy that works in the best interests of members and small business.

– Andrew Conway, Public Accountant Hub

Mental health in small business

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

– Andrew Conway, Public Accountant Hub

Small business tax cut

Practitioners should hold off on applying any tax cuts in relation to family trusts until the dust from the "standoff" between the ATO and the government has settled, warns the IPA.

– SMSF Adviser

Marginal tax rate

Tony Greco said what Australia needed was a new type of business structure that combined the best features of a trust, company and partnership.

– *Australian Financial Review*

System stability

The ATO doesn't believe it needs to adhere to commercial service standards. [Tony] Greco says in the submission that if that's the case, "future stability is not assured". "If the ATO cannot meet an agreed service standard, the concept of imposing a financial penalty should be considered," he says.

– *Brisbane Times*

Profession with purpose

Chief executive Andrew Conway speaks to Katarina Taurian about how disasters like the Black Saturday bushfires and Queensland floods reshaped the IPA's view of corporate social responsibility, and the association's startling findings on accountants' roles in the mental health of their clients

Katarina: Getting involved in corporate social responsibility (CSR) activities often seems out of reach for small businesses without marketing machines behind them. What does CSR mean for the IPA, and how does this translate to members on the ground?

Andrew: From an organisation point of view, or even a profession point of view, I think it is incumbent upon any professional in any discipline to impart knowledge to benefit the community. In some cases that is going to be for a fee, and that is entirely legitimate, and in other cases it's also legitimate to impart that knowledge free of charge or pro bono. We see that as a very valuable, very achievable role that a professional performs within the social context.

In the accounting profession, we think it's vital to ensure that accountants feel comfortable and have opportunities to provide their services and impart their knowledge, in particular, to community-based organisations, or those that otherwise might not have the means to engage and retain a professional.

We have seen examples of that in our own organisation, with our own members. Looking back at the Black Saturday bushfires, we had a register of hundreds of accountants saying 'we want to assist small businesses affected by the bushfires.' They were helping them get their businesses back on track, and in the situation where some businesses wanted to wind up following the damage to their properties, members helped them do that. The ripple effect of closing a business that quickly is immense, and the compliance is probably the last thing people in that situation think of, but from a community point of view it's important to resolve those issues.

> "Something I share often to highlight the importance of this work is there are members who tell us that some clients walk through the door of their accounting practice, small business owners, who are actively contemplating taking their own life. Our member had to ship a client off to hospital"

We had accountants step forward and say 'we are going to help out' and they provided that base level accounting and professional services to those affected.

From activities like that, and a similar situation with the floods in Queensland, we started this process of understanding the role that our members can play is much greater than just their traditional client adviser relationship. We originally engaged with the other two accounting bodies to encourage more indigenous Australians into the accounting profession. That has been a challenging process and we now have broken away from that initiative to focus our energies on things like microboards, where you might get two or three experienced accountants acting as a microboard to a community-based organisation. We've had, again, some success on this front in regional Western Australia, with some of the communities helping the indigenous land councils with their basic corporate governance and compliance obligations.

In sum, standing back, it's really about questioning what an accountant's role is in CSR. We think it's about using and leveraging your knowledge to benefit the community.

Katarina: It's important for accountants to know there are tangible benefits to CSR work too, which is important for businesses that are bottom line conscious. Where do you see the commercial benefits for members?

Andrew: Like any accountant, they are going to sit back and weigh up the options of developing a pros and cons list of a particular situation for their business. I would hazard a guess that nine times out of 10, in almost all cases, when you look at a proposal to engage more heavily in a pro bono activity or in a CSR-type activity, the list of pros will far outweigh the cons.

What I say to members is what is your reason for not doing it? And if your reason for not getting involved in CSR activities or building a presence in CSR with your own organisation is time and money, assess the positives – you are helping somebody who is in desperate need of assistance. You can manage the time and manage the money, and I firmly believe that there will be some formal return, whether by way of reputational, relationship or client gain.

For example, if you help a charity

get off the ground, you'll be in the driver's seat to become their accountant down the track, and they might well become a fee-paying business. Also, it gives you an opportunity, from a development point of view, to test your knowledge and skills of communication to get that entity going.

From our point of view also, we look favourably upon those practitioners who do engage in CSR. If you couldn't attend one of our events because you were engaged in CSR-based activity, we will look favourably on that from a CPD credit point perspective, to ensure the practitioner knows that time was not lost.

> "Looking back at the Black Saturday bushfires, we had a register of hundreds of accountants saying 'we want to assist small businesses affected by the bushfires.' They were helping them get their businesses back on track, and in the situation where some businesses wanted to wind up following the damage to their properties, members helped them do that"

Katarina: What can members expect from the IPA on a CSR front, and how are your moves on the mental health research front going?

Andrew: From our small business roadshows around the country, it's been quite fascinating in terms of the feedback we've received. Normally you'd expect a group of small business owners and accountants to sit around and moan about tax issues. And that does come up in these roadshows.

What has really come through is, first and foremost, a sense that we are on the right track with our focus on mental health. Mental health for small business, as an issue, has almost reached epidemic proportions.

It's important to make clear that it's ok 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.

We are going full steam ahead with raising mental health issues in small business and we are about to launch a specific piece on mental health in small business. What our initial findings are showing is initially around 90 per cent of the responses from small businesses so far said engaging their accountant significantly lowers their rate of anxiety and depression. We want to unpack that a bit more.

When an accountant does their professional program, generally speaking, you don't include anything about psychological counselling or dealing with a person at risk. So we are embedding that into our MBA program, it will include elements of how you manage and identify a person at risk, and what the pathways are available for those involved.

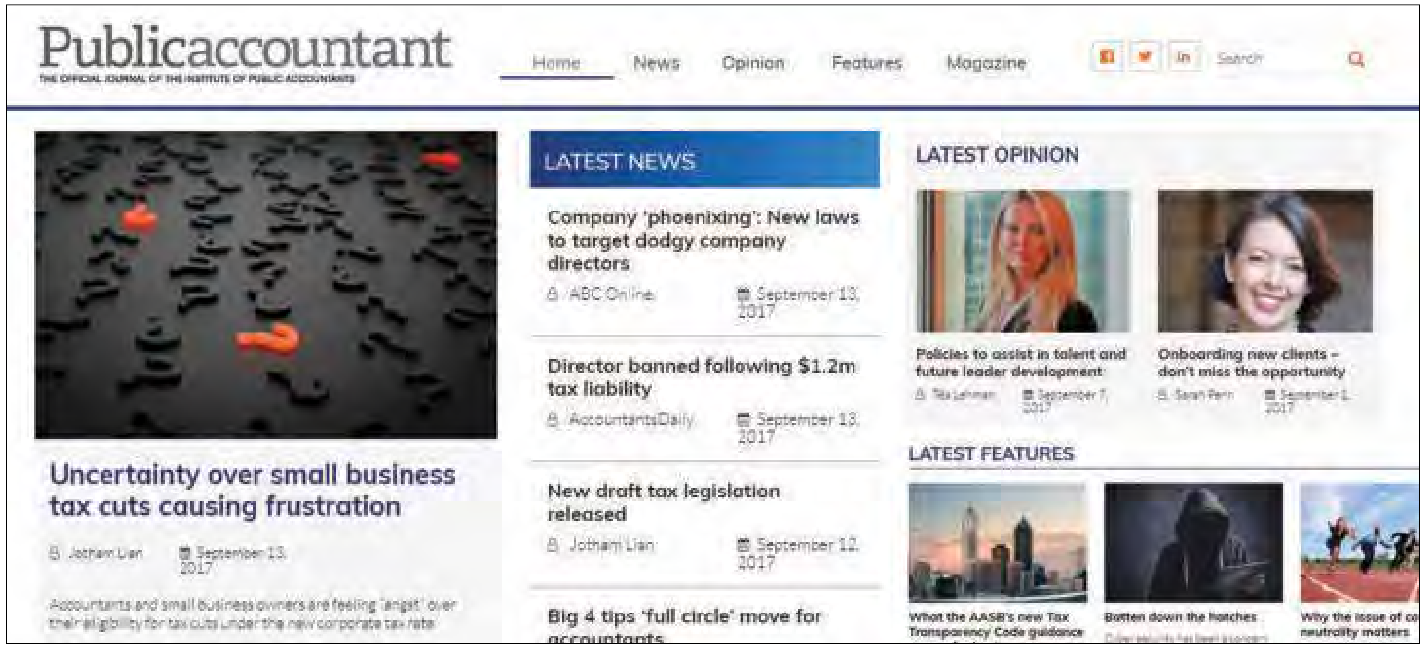
Something I share often to highlight the importance of this work is there are members who tell us that some clients walk through the door of their accounting practice, small business owners, who are actively contemplating taking their own life. Our member had to ship a client off to hospital.

I also personally spoke with a member who said it was all too hard. He wanted to chat so I gave him a call. After six attempts of trying to have a conversation with him, I got to speak to him properly, because he was so emotional. He later texted me saying 'I can't do it anymore, I'm out.' This wasn't to do with his membership, he was having issues with the ATO. We've been trying to re-establish contact with him and having mixed luck at that.

These issues are real, and we've got to be talking about them. I think from a CSR point of view, from the IPA's point of view, it's probably the strongest line of focus we've got in relation to CSR. It's been raised with us that small business and accountants are saying enough is enough, let's get these issues out in the open, and hopefully help prevent someone from getting to the point of saying my business is causing me so much grief that I'm going to end it. That's an absolute disaster on a whole range of fronts. We are taking that up from a social policy point of view and we are going to give it a real crack.

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



Big 4 banks move to eliminate unfair contract terms

The Institute of Public Accountants has welcomed the big four banks' move to eliminate unfair terms in small business contracts but has likened the wait to "extracting teeth".

The big four banks have agreed to a series of comprehensive changes to ensure that all small business loans up to $3 million will be protected from unfair contract terms. Ever since the unfair terms law was passed in November last year, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and ASIC have been publicly raising concerns and urging lenders such as the big four banks to meet the unfair contract terms legislation.

The banks will now remove 'entire agreement clauses' that absolve the lender from responsibility for conduct, statements or representations they make to borrowers outside of the contract. Material adverse event clauses that give lenders the power to call a default for an unspecified negative change in the circumstances of the small business customer will also be removed. Indemnification clauses and the operation of unilateral variation clauses will also be significantly limited, with banks having to provide applicable small business customers with a minimum of 30 days' notice for any contract changes.

Small businesses that have entered or renewed contracts on or after 12 November 2016 will be eligible for these changes.

IPA executive general manager, advocacy and technical, Vicki Stylianou said having the banks on board was a "good starting point" but criticised the nine-month wait for an agreement to come into effect.

"You would expect it to take time to implement but the other thing is the attitude – if the attitude is not there to change or it is to begrudgingly change then of course it is going to take longer," said Ms Stylianou.

"It would just be just helpful if everyone was on the right side with the right attitude in terms of implementing these changes."

STP rollout locked in for SMEs as government ups super crackdown

Plans for small businesses with less than 20 employees to be subject to the introduction of the Single Touch Payroll have now been officially locked in, as a key part of the government's broader intention to penalise non-compliance with superannuation guarantee (SG) obligations.

As part of the reform package, the introduction of the STP will now apply to employers with less than 20 employees from 1 July 2019. Employers with 20 or more employees will transition to STP from 1 July 2018.

Minister for Revenue and Financial Services Kelly O'Dwyer said the ATO would also receive additional funding for a superannuation guarantee task force to crack down on employer non-compliance.

The tax office will also require superannuation funds to report contributions received, at least on a monthly basis, to enable the ATO to identify non-compliance and take prompt action.

"Employers who deliberately do not pay their workers' superannuation entitlements are robbing their workers of their wages. This is illegal and won't be tolerated," Ms O'Dwyer said.

The ATO has also released an estimate of the SG gap for the first time, with 95 per cent of SG payments being met.

ATO deputy commissioner James O'Halloran said the gap of $2.85 billion of the total estimated $54.78 billion was due to employers not paying enough or not paying at all, leading to an increase in compliance enforcement this financial year.

"Undertaking an estimation of the superannuation gap will provide a useful insight into the operation of the superannuation guarantee system and allow the ATO to assess the effectiveness of our strategies to reduce the level of non-payment of superannuation guarantee," Mr O'Halloran said.

The penalties applicable to businesses who do not comply with their SG obligations is significant - up to 200 per cent for each employee in some cases, with interest components added to that.

ASIC reveals small business strategy until 2020

ASIC has announced its vision and specific actions for working with small businesses over the next three years, as the regulator ramps up its effort to support small businesses.

ASIC commissioner John Price unveiled the Small Business Strategy 2017-2020 at the National Small Business Summit in Melbourne, outlining three strategic priorities of "being to engage, assist and protect".

In the strategy release, ASIC said it would engage with the industry and the government to understand and respond to challenges and opportunities faced by small businesses.

The regulator added that it would aim to assist small businesses through its registry services and developing financial capability information and resources for owners to help them understand their compliance obligations.

Lastly, the strategy outlined how ASIC would work to level the playing field by conducting surveillance, investigations and where appropriate, take administrative, civil, criminal or other action, and contribute to key policy reforms and government initiatives that have an impact on small businesses.

"ASIC's interaction with small business is vast and occurs through direct engagement and via industry and government bodies responsible for assisting small business," Mr Price said.

"We assist small business through our registry services and by providing information to build financial capability in current and future small business owners, by providing regulatory guidance, and we also protect small business through our ongoing surveillance, enforcement and policy work.

"The contribution of the small business sector to the Australian economy is universally recognised. It employs half of Australia's workforce and makes up one-fifth of Australia's gross domestic product."

Mr Price pointed to ASIC's joint effort with the Australian Small Business and Family Enterprise Ombudsman in pressing the big four banks to eliminate unfair terms from small business contracts as an example of the regulator's commitment to small businesses.

Of all Australian companies and businesses registered with ASIC, approximately 96 per cent are considered small businesses with fewer than 20 employees.

ASIC's small business focus 'pleasing', says IPA

The Institute of Public Accountants has commended ASIC's efforts to support small businesses through its Small Business Strategy 2017-2020.

Welcoming the move, IPA chief executive Andrew Conway highlighted the need for small businesses to be afforded greater support in terms of financial literacy.

"It is very pleasing that ASIC is placing due attention on small business through its small business strategy with the focus on "assist, engage, protect", Mr Conway said.

"In particular, we support and encourage the effort to engage by promoting and supporting greater financial capability of small business owners.

"During our Small Business White Paper roadshow across Australia, the need for greater financial literacy by small business owners has emerged as a constant theme.

"We also support ASIC's actions as a regulator to protect small business through its activities to level the playing field by investigating and taking action against those who are not doing the right thing."

The IPA is currently working on the second edition of the Small Business White Paper, aimed at exploring issues affecting small businesses and putting forward recommendations to boost productivity and prosperity.

IPA hails 'huge win' in competition law reforms

The Institute of Public Accountants has commended the government's move to legislate significant amendments to competition laws in a bid to deter anti-competitive conduct, calling it a "huge win" for small businesses.

The Competition and Consumer Amendment (Misuse of Market Power) Bill 2017 has passed the Senate and will implement a key recommendation of the Harper Competition Policy Review to strengthen section 46 of the *Competition and Consumer Act 2010*.

The 2015 Harper Review had found that the misuse of market power law was not reliably enforceable and did not effectively target and deter anti-competitive conduct.

The reformed section 46 will prohibit a corporation from engaging in conduct with the purpose, effect or likely effect of substantially lessening competition in a market in which it directly or indirectly participates.

IPA chief executive Andrew Conway welcomed the changes and affirmed the IPA's long-standing advocacy stance on the misuse of market power law.

"We commend the government for introducing the changes we have been fighting for; changes that will better protect small business in a more equitable, competitive market," Mr Conway said. "The amendment will help address anti-competitive conduct and protect the competition process rather than the interests of individual players in the market. This is particularly important to small business.

"Considering 97 per cent of all Australian business is made up of small businesses, this is a huge win."

Auditor sting results in yet another disqualification

ASIC has disqualified a NSW person from being an approved SMSF auditor following a string of similar disqualifications in the past month, after determining that she had failed fundamental independence requirements.

The corporate regulator found that Kathleen Whittle had audited the funds of her immediate and close family members, breaching the auditor independence requirement of APES 110 Code of Ethics for Professional Accountants.

ASIC commissioner John Price said given the nature of the breaches, a disqualification was appropriate.

"SMSF auditors play a fundamental role in promoting confidence in the SMSF sector so it is crucial that they adhere to ethical and professional standards," Mr Price said.

"ASIC will continue to take action where the conduct of SMSF auditors is inadequate."

ATO zooms in on car expense claims

The ATO has issued a warning that there is no such thing as a 'free pass' for deductions, as it seeks to clamp down on a common tax deduction this year.

In the 2015-16 financial year, the tax office said that over 3 million Australians made a work-related car expense claim, totalling around $8.5 billion.

ATO assistant commissioner Kath Anderson said a "significant proportion" of those claims were at the limit of the 5,000 kilometres mark that did not require detailed records, prompting the tax office to pay closer attention during this year's tax time.

"While it's true that you don't need written evidence for claims of up to 5,000 kilometres per year, you do need to be able to show that you were required to use your car for work, and how you calculated your claim," Ms Anderson said.

"While we have no issue with people using the cents per kilometre method and we expect that most claims at this threshold may be legitimate, we are reminding people that there's no such thing as a 'free pass' when it comes to deductions."

Ms Anderson said common errors included claiming trips between home and work without good reason, such as carrying bulky tools or equipment to work.

"If you make a claim for transporting bulky tools, you need to be able to prove you were required by your employer to take these items to work, and that there was no safe place to store them," said Ms Anderson.

"It is also important to make sure you don't double-dip. In other words, you cannot claim expenses that have already been paid by your employer, including salary sacrificing arrangements.

"One – you have to have spent the money yourself and can't have been reimbursed, two – the claim must be directly related to earning your income, and three – you need a record to prove it."

Regulators welcome second tranche of insolvency law reforms

The second and final tranche of reforms in the *Insolvency Law Reform Act 2016* (ILRA) has now come into effect, as key regulators hope to "enhance trust and confidence in the insolvency profession".

The second tranche of reforms came into effect on 1 September 2017, with a focus on the way funds are handled and the introduction of new requirements for creditor meetings and practitioner remuneration.

The first tranche of insolvency reforms, which focused on registration of, and disciplinary action against, registered liquidators and registered trustees, was introduced on 1 March 2017, following the passing of the ILRA.

The Australian Financial Security Authority (AFSA) and the Australian Securities & Investments Commission (ASIC) have both welcomed the reforms' aim to increase efficiency, reduce administration costs and promote market competition in personal and corporate insolvency in Australia.

"The insolvency law reforms harmonise the regulatory framework for personal and corporate insolvency and address a number of issues in the insolvency industry and ASIC's role in regulating it," ASIC commissioner John Price said.

"The changes will enhance trust and confidence in the insolvency profession."

Likewise, ASFA chief executive and inspector-general in bankruptcy, Hamish McCormick, said the reforms were an important milestone in the rules governing insolvency in Australia.

"These reforms will support a greater level of consistency and standards across both systems. They will also empower creditors to request information from insolvency practitioners," said Mr McCormick.

Mid-tier predicts WA budget economic backlash

A mid-tier firm has lashed out at the introduction of a number of changes in the recent Western Australia state budget, saying it would "undermine the fragile recovery of the economy".

Pitcher Partners managing director Leon Mok has taken aim at hikes to the gold royalty rate, payroll tax, and the new levy for foreign buyers purchasing residential property.

In an attempt to bring WA's budget back to surplus by 2021, Premier Mark McGowan has targeted the mining industry with the introduction of a tiered royalty rate and the scaling back of the gold royalty exemption designed to raise $392 million.

"It appears that tall poppy syndrome has once again hit," said Mr Mok.

"These royalty increases send mixed-messages to businesses and investors who will increasingly think that success equates to having the goal posts shifted and additional taxes being imposed."

Further, the McGowan government has slugged bigger businesses with higher payroll taxes for a finite period of five years, expecting to raise $435 million.

Employers with a payroll over $100 million will see a new rate of 6 per cent, while employers with a payroll over $1.5 billion will see that level rise to 6.5 per cent.

Pitcher Partners director Timothy Martino said any increase from the current flat rate of 5.5 per cent would be detrimental to the WA economy by hitting some of the state's most significant employees.

"The big end of town will be hit hard by this measure," he said.

"Given the ongoing fragility of the Western Australian economy, increasing payroll tax seems a short-sighted move as some employers will be driven to fund the hike out of future salary increases for employees."

Mr Martino also took aim the introduction of a 4 per cent foreign property buyers surcharge on the purchase of residential properties, saying market conditions in WA were vastly different from hotspots in Sydney and Melbourne.

The new levy is expected to raise $48 million.

"This measure is similar to one introduced in the eastern states off the back of a hot housing market there, however with the current state of the WA market, you have to question whether this measure is just a blatant tax grab," said Mr Martino.

"Exemptions apply for some large developers, so smaller players will bear the burden of this surcharge."

Member snapshot: Michael Cole

Who are you?

Michael Cole, owner of Cole School Experts, an accounting practice specialising in providing accounting and consulting advice to non-government schools across Australia.

How did your journey in accounting begin?

I was working in my first office job as an accounts payable clerk for a shipping company. I was looking for more of a career challenge, so began studying at TAFE. As soon as I graduated I began my career as an accountant with a travel agency. Over the next 10 years prior to establishing my own practice, I worked with a national wholesale meat business, at a cannery, in local and state governments, with a parts supplier to the automotive industry, in food service, and in fashion retail. The broad experience gained from these varied roles gave me an important insight into what businesses need from their accountants.

What led you to the IPA?

The IPA is focused on those businesses that I see as my core clients. I had the opportunity to use my MBA to gain membership of one of the other accounting bodies, but for me the IPA better represents a sense of genuine commitment to the client. My practice's focus has been on management accounting and not tax and compliance. The IPA provides a significant amount of resources and materials for businesses such as mine.

What drew you to your field of specialty?

The reality is that the schools found us. My practice began as a simple one-man operation accepting work from a range of sources. In the early days, KPMG would send me into businesses facing financial difficulties. As I began employing staff we found that through referrals from schools and school auditors we had built a core number of schools as clients. We were busy but not focused, so I employed a marketing firm and through an extensive process, schools became our specialty.

> "When you believe you have a good idea, keep that belief and ignore any negativity"

What are your plans for your firm?

Australian schools have access to fully-integrated software which covers all accounting functions but just as important, full student management. For example, the timetable of classes, student attendance and results, and emergency contacts to name but a few.

I have been in collaboration on a range of ideas and through this partnership we have just released an interactive cash flow model in PCSchool which is a school-specific software owned by Brendan Croese.

My vision is to continue to work with the software houses on outcomes to benefit the users and in turn to increase our range of virtual services to the schools.

Any advice for emerging accountants?

When you believe you have a good idea, keep that belief and ignore any negativity. You are the idea's champion and should never feel that because it's your idea you have to do all of the work and fix all of the roadblocks.

If your intent is to learn, you must ask questions, leading to the old saying that no question is a bad question. We learn from listening, researching and doing, not by osmosis.

Finally, a boss at the start of my career said to me "People buy off people". Establish solid relationships with your clients and always be honest with them. Acknowledge your mistakes, just ensure you fix them. This approach buys a lot of goodwill.

Tabitha Lovett,
CEO at Besen Family Foundation

Small business giving big

Small business in Australia is fuelling the nation's philanthropy efforts more than what you may realise

by Tabitha Lovett

Charity collection boxes are a familiar sight at our local businesses. We happily drop our coins and small notes into buckets and boxes to support the charity that they are promoting.

It's a great way to remind us to give as we go about our day-to-day lives and to support projects both local and international, which will help those in need.

But this is just the tip of the iceberg when it comes to small business philanthropy.

The 2016 Giving Australia Report revealed that in 2015-16, Australian businesses gave $17.5 billion to charities and not-for-profits (NFP), an impressive increase of $14.2 billion in a decade.

What's worth noting is that $8.5 billion of that $17.5 billion came from small and medium businesses, with 70 per cent of all small and medium businesses making a contribution to charity.

Christian Porter, Minister for Social Services who launched the Giving Report commented that the "figures show that small businesses in particular are very much a part of their local communities, whether it's contributing directly to a local sporting club or seniors group with financial contributions to bigger community-focused activities like building a new community hall".

Of the $17.5 billion in business philanthropy in 2015-16 nearly half – $7.7 billion – came from community partnerships, $6.2 billion was the result of donations, and $3.6 billion came from non-commercial sponsorships.

These figures show that small businesses are doing more than just collecting coin donations. Some business owners are supporting charities and NFPs more deeply and donating a percentage of their profits to charity, matching their customers' donations dollar-for-dollar, holding fundraising events, or providing pro bono (free) goods and services on an ongoing basis to help charities fundraise or deliver their much-needed services.

And the ways in which small business support charities is just as varied as the small business sector itself. There are restaurants, cafes and local supermarkets donating unused food each day to food recycling charities to turn into free meals for the homeless; businesses offering pro bono legal, accounting, audit and governance advice to charities; and all those freebies that make up charity auctions and raffle prizes.

Philip Dalidakis, Victorian Minister for Small Business, Innovation and Trade noted that often small businesses are unaware that their support for local charities counts as business philanthropy.

"Small businesses are vital to local communities and often very well connected to them. Whether it is providing in kind support for a local school fête, sponsoring sporting clubs or helping out with other local community groups, small businesses are often practising philanthropy without even knowing it. And our community is better off for it," he said.

These partnerships benefit both the business and the charity. Giving back is rewarding and customers appreciate a business which is socially responsible. In the Giving Australia report small businesses most often cite their giving is driven by a desire to give back to the community in which they operate and profit.

Increasingly, we are also seeing entrepreneurs building a philanthropic focus into their business plans – whether that is donating a percentage of profits to a chosen cause, supporting local charities in the area from which they source their products, reviewing their suppliers' social responsibility credentials or establishing their own charitable foundation to enable an ongoing, long-term giving strategy.

As small businesses become more creative in finding ways to meet their customers' needs – so too do their 'giving' initiatives.

One boutique distillery in Port Melbourne recently decided to auction its first cask of whisky to raise funds for a charity which helps disengaged youth train for jobs in hospitality. Rather than sell it in one batch they decided to auction just a few bottles of the vintage each year to build its value amongst collectors and increase the proceeds for the charity.

For small business owners considering how to build a giving strategy, the following questions can help guide their thinking around the best strategy to employ:

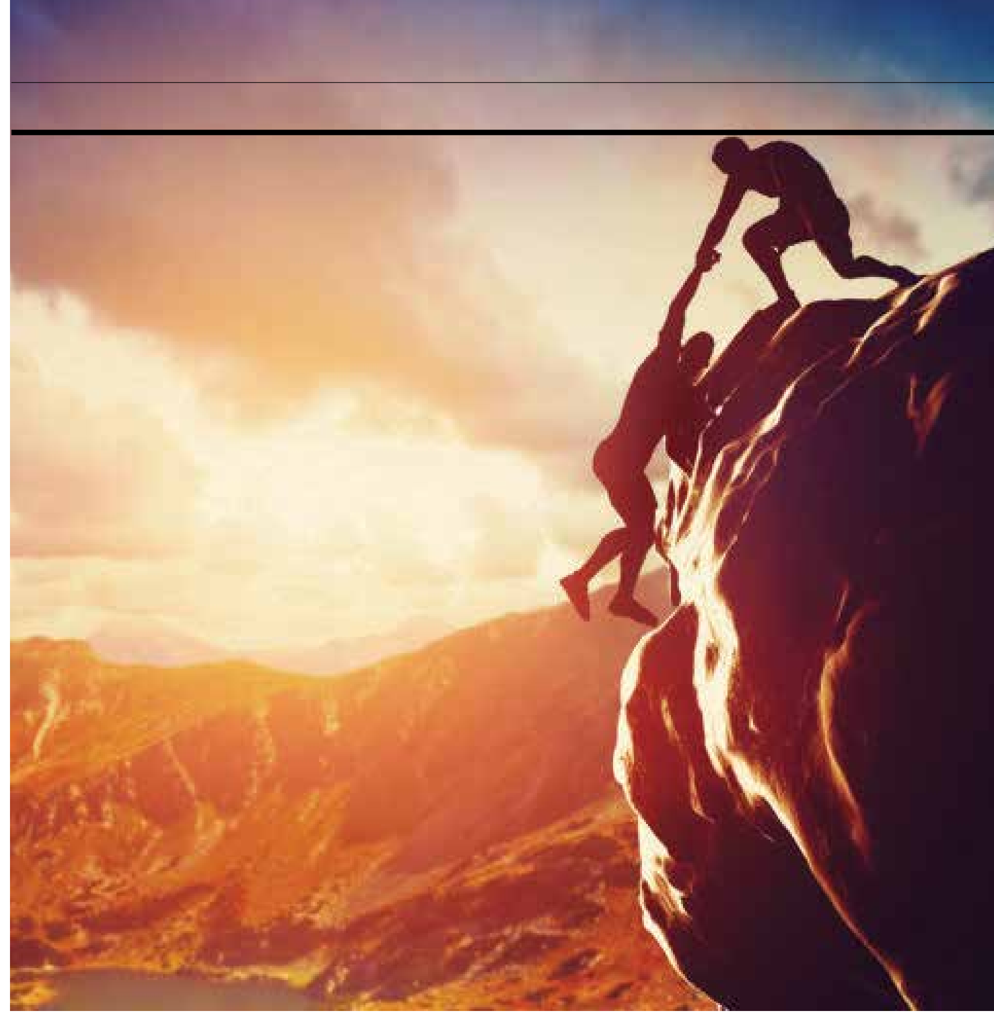
1. Which charities do you want to support? Are you drawn to support a cause that aligns with your business' purpose, or one with which you have a personal connection, or do you want to support a local charity or NFP to demonstrate commitment to the community in which you operate?

2. Do you want to give cash donations, fundraise on the charity's behalf or, offer pro bono goods or services?

3. Have you considered structuring your giving to maximise tax benefits? Donations over $2 to a charity or NFP which is endorsed by the ATO as a deductible gift recipient (DGR) are tax deductible.

4. Have you considered establishing your own charitable foundation or sub-fund with a Public Ancillary Fund to receive your donations and distribute income year-on-year to the charities of your choice? Increasingly, businesses are establishing their own sub-funds with Public Ancillary Foundations so they can name the fund after their business aligns its purpose to their brand and build and invest the funds donated to generate greater amounts of income each year.

5. Do you want to involve staff and offer workplace giving or volunteer opportunities?



When deciding on what causes or charity to support there is no right or wrong answer.

The Giving Australia Report 2016 findings confirmed that education and research received the greatest financial support from business receiving 22 per cent of all total business giving, followed by culture and recreation (19 per cent), social service and health (12 per cent).

For small business owners, the enjoyable aspect of creating a giving strategy is to deepen their knowledge of the charities in their area and to create their own philanthropic legacy. They can also use their business philanthropy to inspire other businesses to do the same.

When deciding how best to support charities here are some tips to consider to inform your giving strategy:

1. Ask the charities you wish to support what they need and when?

2. Find out which charities are best placed to achieve your philanthropic goal. For instance, if you have been motivated to act in response to a disaster event such as floods or bushfires – make sure the charities to which you donate goods have the capacity to distribute to those affected.

3. Involve your staff, family or other local businesses. When deciding which charity to support you can consult with your staff, family or other businesses in your area and inspire them to become involved.

4. Be clear with customers about how you are supporting the charity of your choice and be transparent about what their donation will support. With charitable giving becoming more popular it is important to maintain customer confidence and not allow business philanthropy to be seen as a marketing ploy.

Most importantly, enjoy developing a giving strategy and finding out more about the charities that operate in your local area. Picking the right charity and strategy is important so research the charities, their track record and look to other small businesses already involved in giving for ideas and inspiration.

Integrating philanthropic giving into your client relationships

Philanthropy may not be high on the priority list for SMEs. Here, Australian Unity Trustees explains some options for strengthening your client relationships with charitable ventures

by Caroline Whitby
national manager, philanthropy, Australian Unity Trustees

Charitable giving is an intensely personal venture. It can occur at any time in someone's life but often it is considered at a time of personal change for the donor. This may be during transition to retirement; loss of a partner; sale of a business or realisation of property; or the receipt of an inheritance.

Whatever the motivation, each person's charitable focus is unique but usually reflects an area of passion or significant interest throughout their life.

One way that philanthropic giving is changing is that people are no longer only donating to charitable causes upon their passing through their will. Perhaps in part due to increased levels of personal wealth and an altruistic focus on contributing to a better world, individuals are creating philanthropic structures at a significantly younger age than their parents and grandparents.

A key trend that frequently emerges when discussing charitable giving with our clients is that it is a time when they actively seek to involve their family, not just their children but their grandchildren as well.

While the children may or may not have been involved in the individual's business activities or investment decisions previously, philanthropists are passionate about involving them when establishing charitable giving structures, which are designed to grow and continue to give into perpetuity. Involving next generations ensures a client's wishes will be honoured across multiple generations and once the children have passed, the trustee can continue to maintain this important role.

Another clear trend is that it is not just the wealthy who are the philanthropists of today, it is the ordinary 'middle Australian' who now realises that they are 'comfortably well off' and want to give back to their communities.

In order for an adviser or accountant to establish and maintain a multi-generational relationship with a client and their family, it is crucial that they become involved with their clients' children as early as possible. Once a client passes away, it is often too late to retain a role with regard to the client's estate.

Additionally, a rapidly ageing population has seen the increased prevalence of stroke and dementia-related illnesses, which may result in a loss of capacity during a client's lifetime. A 2017 study published by Alzheimers Australia estimated that around 244 individuals daily are being diagnosed with dementia. It is anticipated that the number of new cases of dementia will increase to 318 per day by 2025. If an adviser or accountant has not already established a relationship with the next generation, who will often hold power of attorney for their parents, the sustainability of their business is at risk.

Actively initiating a discussion regarding structured charitable giving is an excellent opportunity for an adviser to establish a trusted relationship with the client's family at an early stage and further deepen their trusted-adviser relationship with the client. Not only does it assist to facilitate a multi-generational relationship, it also enhances the existing client relationship by expanding the level of the relationship into something, which is much deeper, more personal and values-based.

It is also important that the adviser raises the topic of charitable giving with their client. A study conducted by the UK Cabinet Office in 2013 illustrated that simply by asking the question "would you consider leaving money to charity?" resulted in double the number of clients doing so. Engaging a client in a discussion about structured giving is a powerful means of starting a conversation that can assist clients to establish a new purpose and focus, and assist an adviser to establish critical family relationships into the future.

The latest on the IPA's advocacy work

The IPA's latest discussions with government include APESB, the Black Economy Taskforce and the review into the future of the tax profession

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IPA submission on APESB constitutional review

After consultation with Chartered Accountants Australia New Zealand and CPA Australia, the IPA made a submission to the Accounting Professional and Ethical Standards Board (APESB) on its constitutional review. Some of the comments and points made related to proposals on allowing third parties to use the standards. The IPA has previously opposed this proposal and we see no compelling reason to change our position at this stage; though like CA ANZ, we are open to further exploring the idea. However, there are numerous concerns which would need to be overcome and there is no information currently available on how these would be addressed. For instance, what types of organisations would be allowed to use the standards; could they be adapted; what would be the role of APESB, would there be a monitoring or enforcement type role; what would be the legal responsibility of APESB in providing a licence or permit; what would be the position of International Federation of Accountants (IFAC). APES 110, in particular, underlines the professional status conveyed on the professional accounting bodies – how would this be impacted by allowing third parties to use the standards. The strategic, commercial, operational, regulatory and legal aspects all need to be considered. We are not confident that these matters could be adequately addressed. Other matters related to the interests of directors; admission of new members to APESB; having to adopt the APESB standards; the number of directors to be appointed; composition and remuneration of the board; and matters relating to a quorum. The IPA added other proposals including the number of IPA nominated directors to the board.

APESB review of APES 325 Risk Management for Firms

The IPA made comments that were critical of the standard in that risk appetite is dealt with in a single line, which is inadequate. More guidance should be given in relation to what should be included in a risk appetite statement and, in particular, what should be addressed in terms of a professional services firm. A risk management framework can only be framed in the context of a risk appetite statement. The absence of specific guidance in this space is a serious deficiency. The concept of "expected loss" and "unexpected loss" should be explained in the standard together with the application to professional services firms.

Concentration risk – no mention is made of concentration risk in APES 325 – given the likelihood of the incidence of this particular risk some time should be spent identifying the natural causes of such risk – that is, client industry concentration, type of work, partner etc. APES 325.4.2 provides a list of risks – however there is no guidance on how these risks apply in the context of a professional services firm. APES 325 does not address risk-based pricing and how it can be applied in the context of a professional services firm. Anecdotal evidence is that certain services actually decrease in cost when there are increases in cyclical risk, for example, audit fees falling during industry or economic downturns.

APESB review on Exposure Draft ED02/17 APES GN 31 Professional and Ethical Considerations relating to Low Doc Offering Signoffs)

The IPA supports the issue of GN 31 to clarify the application of paragraph 1.10 of APES 350 Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document. However, the IPA does have concerns as the application of GN 31 to engagements conducted in accordance with ASRS 4450 Comfort Letter Engagements.

Comfort letter engagements often provide sign-off to underwriters and brokers for offerings of equities or debt securities to "qualified", "sophisticated" or "professional" investors. As such they are not a public offer issued in relation to a public offer document. The IPA believes such offerings would fall into the definition of "Low Doc Offering Document" in the proposed GN 31. However, comfort letter engagements often require both assurance opinions and agreed-upon procedures to be reported upon. GN 31 paragraph 5.8 would appear to preclude the application of the proposed guidance note to such comfort letter engagements. We recommended that the taskforce clarify whether the comfort letter engagements that report as both assurance and agreed-upon procedures engagements are intended to be covered by the proposed GN 31 and if not, the IPA seeks clarification as to what APES standards or guidance notes should apply to such engagements.

Black Economy Taskforce

As a member of the Black Economy Taskforce, the IPA participated in the consultation of additional policy ideas which have been developed since the interim report was completed in March 2017. The interim report had 35 recommendations. An additional 54 policy ideas were outlined, some new, and some further developed themes were canvassed in the interim report. The Black Economy Taskforce Final Report is due to be submitted to government in October 2017. Many of the policy ideas canvassed will have significant ramifications for practitioners. The government has already picked up three recommendations contained in the interim report for implementation which were announced as part of the 2017 federal budget.

Inspector General of Taxation Review into Future of the Tax Profession

The vast majority of taxpayers use tax practitioners to assist them in complying with tax laws. Therefore, the quality and efficiency of the services provided by the ATO to the tax practitioner community is vital for the effective functioning of the tax system as a whole. The tax practitioner community performs a critical role in vetting information on behalf of the ATO under our self-assessment model. Without such checks and balances, the ATO would need to do much more compliance to ensure taxpayers were operating within the tax laws. For this reason, it is important that the ATO works with the tax practitioner community as their responsibilities are inextricably linked. It is highly appropriate that the ATO and the tax practitioner consider their respective futures in tandem. The IPA believes that to improve ATO accountability around digital functionality of its IT systems, the ATO should be subject to a service standard. As we are moving to newer technology designed around 24/7 availability it is important that a service standard is in place to enable tax practitioners to perform their services. Tax agents have a lodgement benchmark key performance target and it seems appropriate that the ATO is also made accountable for its IT service delivery. The IPA has also advocated for a tailored compensation scheme for tax practitioners to deal with any future productivity losses caused by constant outages or loss of functionality. The IPA also canvassed the benefit in using the extensive tax agent network and trusted advisor status of such practitioners to improve the tax systems administration. This concept is similar to External Compliance Assurance Process (ECAP) for large business taxpayers. With proper controls, there is no reason why some ATO tasks cannot be done more efficiently and cost effectively by utilising the tax agent community to verify factual information on behalf of the ATO.

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

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

Fighting the good fight: simplifying business processes

The Federal Government has embarked on a new initiative known as the National Business Simplification Initiative (NBSI), which is taking a whole-of-government approach to trying to make life easier and simpler for businesses

by Vicki Stylianou

Part of this initiative has been the review into modernising business registers. There are 31 of them (30 under ASIC and 1 with the ATO). Below is an excerpt from the IPA's submission to the review developed through the IPA Deakin SME Research Centre.

NBSI is also part of the government's even broader initiative in embracing technology. For instance, electronic lodgement has been gradually but assuredly gathering momentum across all areas of government. These initiatives aim to improve efficiency in data capture as well as ensuring that data is relevant and accessible for a range of users (including the general public). However, they also provide a perfect opportunity to reduce duplication, as well as addressing anomalies and inconsistencies within and among the various government agencies. For example, it seems odd to be in a position where a company secretary can change the composition of the board of directors by accessing the ASIC online portal for company officers and yet it would appear that the same person cannot electronically lodge a new or revised constitution for their entity. Changes to a company's constitution or the replacement rules (if adopted in lieu of a constitution), still need to be lodged by paper form. Allowing changes to be made and lodged electronically would mean less stress for company secretaries in meeting the 14-day deadline for the filing of constitutional and related changes with ASIC. It appears odd that constitutional changes that can be complex have a more immediate lodgement deadline than a change to the details of directors and other office bearers of an entity.

Members of the IPA use the various registries on a frequent basis to ensure, inter alia, that their practices as well as the business practices of their clients are meeting lodgement deadlines in an appropriate and orderly manner. Registry services are fundamental to the way in which corporate regulation is conducted in today's business environment, and accordingly, it is necessary to take essential steps from time-to-time to change existing requirements to meet the ever-changing regulatory environment. In addition, the IPA as an organisation in a co-regulatory system, also relies on the registries to inform our monitoring and enforcement activities.

We also encouraged the government to consider replicating the model for accessing financial reports in existence in the US via the Securities and Exchange Commission (SEC). The SEC provides free access to all financial statements of SEC registrants and such a system is consistent with the general philosophy of regulators ensuring that corporate lodgements are made available to the public on a timely basis. Financial reporting is not just a mere tool to assist management in keeping track of its own performance – it exists in its present form because there is a public interest in understanding the financial affairs of entities that are permitted to use the corporate veil. The filing of information with the corporate regulator is part of an obligation the company has in return for the privileges of incorporation. That information should be freely accessible to the community in which those entities operate. In this sense also, it may be time to consider reviewing current access fees given that the technology now exists to create more open and free databases for financial information.

Publicly available information a reasonable 'price' for incorporation

The incorporation of an entity under law by individuals is not in itself a right, but rather it is a privilege that has fair and legitimate obligations attached to the creation of a corporate entity. One of those obligations that the public would reasonably expect, following incorporation of an entity for business purposes, is that names and basic contact details of those directors connected with the incorporated entity be made available to the public. It is essential that all of the entity's potential stakeholders are able to identify the parties involved in the entity as this provides better protections for the community against unethical behaviours such as the establishment of phoenix companies to avoid liabilities or other unethical business practices. A different way of articulating the same point is that the state provides the privilege to an individual or group of individuals to create an artificial person (entity) in exchange for agreeing (via the act of incorporation) to identify themselves as the person(s) behind the incorporated body. Incorporation does not and should never come without obligations and business registers are the means by which a significant part of the incorporated entity's obligations can be tangibly reflected. This is a fair requirement even though at times it is said that details on registers could be used for inappropriate purposes such as harassment, intimidation and the sending of junk mail. However, a parliamentary committee is currently exploring these issues.

There is a greater awareness of fraud and financial crime committed by organised criminal gangs and terror cells, and business registers, such as those maintained by ASIC are useful tools in intelligence gathering and enforcement of criminal law. Moreover, such registers also can be used to gather evidence for domestic and cross-border investigations into terrorist financing and thus they can become an important weapon which can potentially minimise the incidence of terrorist acts across the globe.

Stability of government information technology platforms

It is important that the business registry services review takes note of the ATO's recent experiences with its technology system outages and that the review encourages the development of an electronic lodgement system that is stable over time.

Other government initiatives

The better regulation pillar to remove, simplify and streamline is a useful framework for assessing existing and proposed regulation. We also support the better business service pillar and view the current consultation into business registries as part of this pillar. We especially support the concept of no 'wrong door' and encourage government to find technological solutions to achieve this. This is also of significance for small business and start-ups for which the burden can be extremely onerous.

The IPA is also very supportive of the work being done on the Open Data Policy and the National Innovation and Science Agenda and we have separately submitted and advocated on these matters. It does, however, underline the need for whole-of-government co-ordination to ensure that the Seamless National Economy is in practice 'seamless'.

Whilst we should always remain focused on deregulation, many IPA members have expressed a strong desire over a long period of time that they would like to see the focus on government 'getting the basics right'. In light of the ongoing technology issues around the ATO portal outages and unreliability of ASIC services (some of which are not even online), we submit that the issues impacting these fundamental services need to be addressed.

Understanding international tax treaties

It's key for Austalian professionals to understand the might and methods of China, the global powerhouse, and international tax treaties are a key part of the big picture

by Vicki Stylianou

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

The Silk Road Economic Belt and the 21st century Maritime Silk Road, is also known as "The Belt and Road". One Belt One Road (OBOR) or the Belt and Road Initiative is a development strategy and framework, proposed by China that focuses on connectivity and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" (SREB) and ocean-going "Maritime Silk Road" (MSR).

Tax treaties and OBOR:

1. Chinese regulators have continued to lay the regulatory and diplomatic foundations to support the OBOR initiative. Domestically, under the guidance of the March 2015 Visions and Actions Plan (which lays out the broad strategy of the initiative) 2015 saw key Chinese regulators issue supporting guidance. This included China's State Administration of Taxation releasing the 'Notice Regarding the Tax Services and Administration to Implement the Development Strategy of the 'One Belt One Road" regarding tax services and improvements contemplated for the OBOR route. This package of 10 measures is also known as the "policy paper on implementing the OBOR initiative" through enhancing taxation services and management. Thorough execution and interpretation of taxation agreements are on the top of this agenda.

2. The tax benefits to be enjoyed by each OBOR country very much depend on the tax treaty they enter into with China respectively. The various double taxation agreements entered into many years ago are currently revised to guarantee compatibility within the OBOR plan. Take the newest Sino-Russia Double Taxation Agreement (DTA) as an example, which had included favourable withholding tax rates.

3. Substantive changes sometimes are introduced in a piecemeal manner. Tariff reduction included in free trade agreements between China and other countries are also considered supplementary momentum to OBOR Initiative, such as the recent ones with Australia and with Korea.

4. Tax treaties are known as the "amulet" of enterprises "going out" or "going abroad". The Economic Information Daily learnt from the State Administration of Taxation that as at the end of April 2017, China has signed 106 bilateral tax treaties (including with Australia), arrangements and agreements with 116 countries and regions, 54 of which are along the "Belt and Road". It forms the third biggest tax treaty network in the world, covering most of China's major investment destinations. It has eliminated a total of 13.18 billion yuan of international repeated taxes through bilateral negotiation in three years. Experts pointed out that on the one hand, the implementation of tax treaties can promote Chinese enterprises "going out"; on the other hand, it will facilitate enterprises from countries along the "Belt and Road" "bringing in" and enjoying relevant preferential taxation policies.

5. As these "going abroad" enterprises are increasingly having to face cross-border tax issues, tax treaties are important legal instruments to help them to coordinate cross-border taxation, eliminate double taxation and resolve tax disputes between different tax jurisdictions.

6. Apparently, one of the main concerns for Chinese enterprises investing overseas is a lack of knowledge about local taxation laws. Chinese enterprises rely on tax treaties to lower tax rates, increase certainty and provide transparency. Chinese government agencies have been trying to educate Chinese enterprises about tax laws in most of the countries where Chinese are investing and trading. Lack of tax knowledge and capability has been seen as a "bottleneck" for Chinese enterprises "going out".

7. In a March 2017 paper by the Lowy Institute entitled – Understanding China's Belt and Road Initiative, it was stated that nearly two-thirds of OBOR countries have a sovereign credit rating below investable grade. This is an obstacle which may be partly addressed through tax treaties providing a type of concession to these countries as they seek to reap the economic benefits of OBOR.

Tax treaties: some observations

8. Many countries have entered into tax treaties (also called double tax agreements, or DTAs) with other countries to avoid or mitigate double taxation. Such treaties may cover a range of taxes including income taxes, inheritance taxes, value added taxes, or other taxes. Besides bilateral treaties, multilateral treaties are also in place. For example, European Union (EU) countries are parties to a multilateral agreement with respect to value added taxes under auspices of the EU, while a joint treaty on mutual administrative assistance of the Council of Europe and the Organisation for Economic Co-operation and Development (OECD) is open to all countries. Tax treaties tend to reduce taxes of one treaty country for residents of the other treaty country to reduce double taxation of the same income.

9. The provisions and goals vary significantly, with very few tax treaties being alike. Most treaties:

- define which taxes are covered and who is a resident and eligible for benefits,
- reduce the amounts of tax withheld from interest, dividends, and royalties paid by a resident of one country to residents of the other country,
- limit tax of one country on business income of a resident of the other country to that income from a permanent establishment in the first country,
- define circumstances in which income of individuals resident in one country will be taxed in the other country, including salary, self-employment, pension, and other income,
- provide for exemption of certain types of organisations or individuals, and
- provide procedural frameworks for enforcement and dispute resolution.

10. The stated goals for entering into a treaty often include reduction of double taxation, eliminating tax evasion, and encouraging cross-border trade efficiency. It is generally accepted that tax treaties improve certainty for taxpayers and tax authorities in their international dealings.

11. Several governments and organisations use model treaties as starting points. Double taxation treaties generally follow the OECD Model Convention and the official commentary and member comments thereon serve as a guidance as to interpretation by each member country. Other relevant models are the UN Model Convention, in the case of treaties with developing countries and the US Model Convention, in the case of treaties negotiated by the United States.

Key observations on OBOR

12. The coverage area of the initiative is primarily Asia and Europe. However, Oceania is also included as well as East Africa. The Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund are the two major financial institutions involved in OBOR.

The time is NOW

Gender inequality in accounting is at unacceptable levels, and in the absence of government policy, it's time for change at the grassroots

by Katarina Taurian

→

There is simply no denying — or excusing — the significant and palpable impact that gender has on the course of a professional's career in the developed world. Arguments to the contrary contradict conclusive and reputable Australian and international studies, decades of anecdotal evidence, and statistics which point loud and clear to an unacceptable and virtually across-the-board gender pay gap.

This is not new information. But it's essential to ingest and accept for two reasons.

First, understanding the pervasiveness of gender inequality in professional services, accounting included, gives weight to the urgency to create change.

Second, whether consciously or not, there's a notable chunk of the industry, consistent with the Australian business community in general, who do not think gender inequality exists. Women and men alike argue their female counterparts were not held back because of their gender. Those women who weren't impacted in any way are the exception to a nationwide rule.

The industry can't fight for what it doesn't know, believe in, or understand. Let's remove any reasonable doubt that this is a cause in need of some soldiers.

The numbers

Tax office data taken from the 2013-14 financial year, which we have chosen to use because it's complete and conclusive compared to more recent years, shows the existence of a major gender pay gap. Data from more recent years follows similar patterns so far.

The ATO breaks accounting professionals into various categories, and virtually across the board, there are significant gaps in pay between men and women.

For male tax accountants, the average taxable income was $75,854 in FY13/14. For females in an equivalent position, it was $61,239.

With tax agents or consultants, the average taxable income for a woman was $52,006. For a man, it was $79,982.

Women classified as an accountant and chartered accountant had an average taxable income of $71,552. Men in the same category had an average taxable income of $105,107.

For external auditors, the average female taxable income was recorded at $61,222. For a man, it was $71,595.

Female internal auditors averaged a taxable income of $79,833, while male internal auditors enjoyed a $98,558 average.

Bookkeeping is the exception to this rule, with women earning a few thousand more than men annually. It is worth noting that the Tax Practitioners Board says almost 80 per cent of bookkeepers are women. This is in no small part due to its inherent flexibility as an occupation.

> "Even when comparing like-for-like men and women, with the same qualifications, tenure and work hours the salary gap between the two remained. There is no apparent reason for this gap, it is most likely a case of unconscious bias in action"
>
> – Geoff Balmer, Richard Lloyd Recruitment

Overall the patterns are clear, pervasive, and undeniable.

The evidence

Recruiters on the frontline have experiences which echo the ATO's data, and point to deep-rooted industry expectations and assumptions.

For example, earlier this year, accounting recruitment firm Richard Lloyd released the results of a survey of 2,000 accountants based in a market hotspot — Sydney.

The data showed that in mid-level management roles, women are paid approximately 13 per cent less than their male peers. At more senior levels, where only 27 per cent of respondents were women, the gap is 14 per cent.

Salaries were comparable at the support services level, however only 33 per cent of respondents were men.

"Even when comparing like-for-like men and women, with the same qualifications, tenure and work hours the salary gap between the two remained. There is no apparent reason for this gap, it is most likely a case of unconscious bias in action," said the recruitment firm's director Geoff Balmer.

This bias exists outside of metropolitan areas as well. As an example, a 2016 study by University of New England (UNE) also indicated female practitioners, particularly within regional accounting firms, still feel overwhelming levels of inequality in the workplace when it comes to pay and promotions.

The report found that while women make up half of the qualified practising accountants in Australia, these numbers are not translating to senior positions such as principals, directors, and partners.

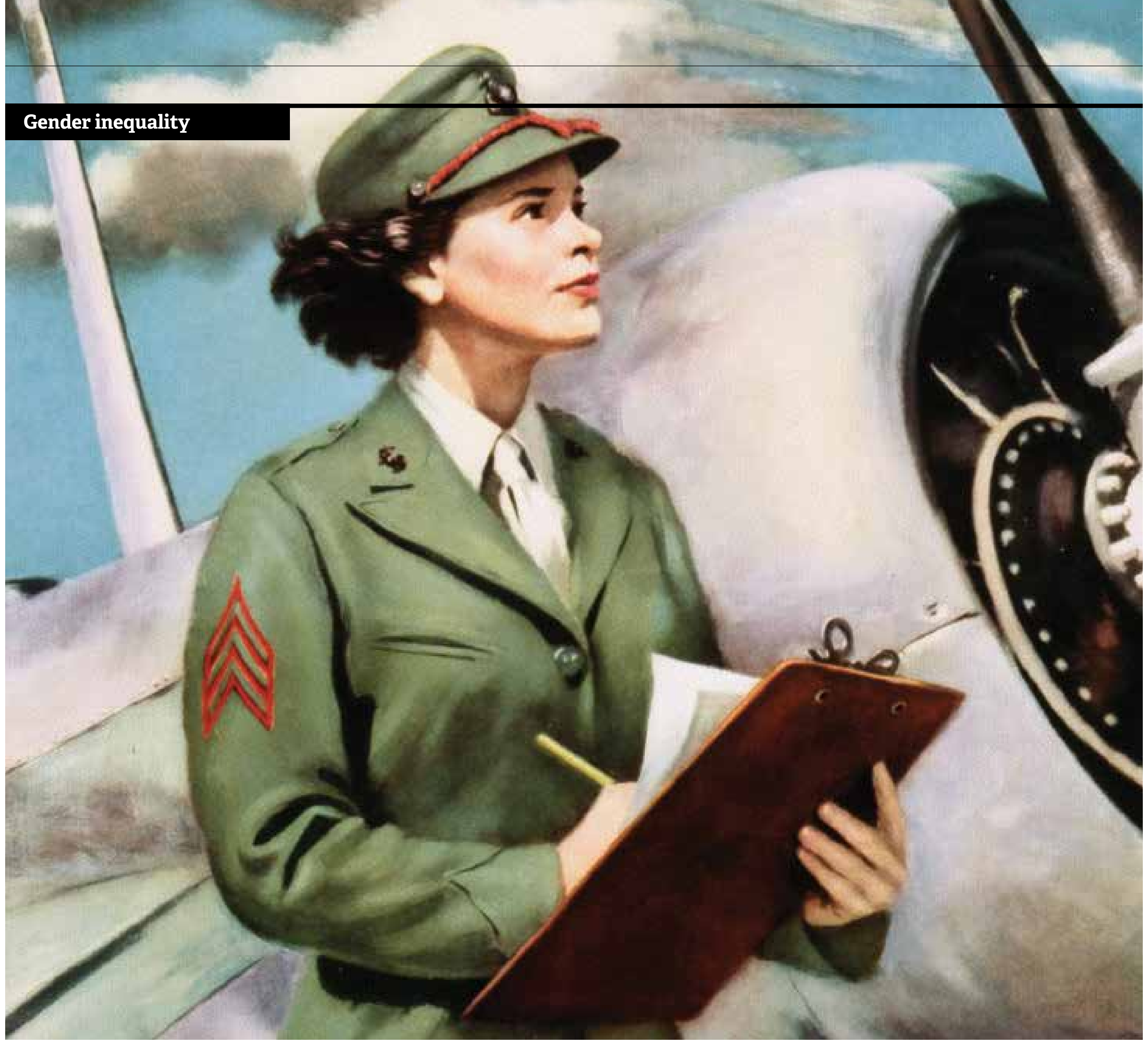
"Gender inequality continues to be reinforced and reproduced by male principals and partners through day-to-day work and social practices," said Dr Sujana Adapa of UNE.

"These women felt they couldn't see themselves progressing into senior roles."

The big picture

Professional services is one symptom and indicator of a global problem in developing countries, largely due to deeply entrenched cultural attitudes towards the role of women in society.

Earlier this year, PwC measured the level of female empowerment across 33 OECD countries, based on a combination of indicators which reflect participation in the labour market and equality in the workplace.



Overall, Australia was ranked middle of the pack in 16th place, one place lower than the previous report in 2016. At the top of the list were the Nordic countries, particularly Iceland, Sweden and Norway.

In good news, participation of Australian women in the workforce is above the OECD average. Also, female unemployment is better than most OECD countries. It's important to note, however, that a higher proportion of women in Australia are working part-time.

Australia has the third-lowest rate of female full-time employment, in part due to a lack of access to affordable childcare, and in part due to strong gendered norms of work and care — that is, the cultural expectation of the woman to take on family duties.

Further, while the difference in salary between Australian women and men is under the OECD average by about 1 per cent, standing at 15.4 per cent, at this rate of progress it will take 40 years to close the gender pay gap.

"The gender pay gap is often driven by entrenched, subconscious attitudes and the outcomes those create," PwC said in its report.

"One example is that traditionally female-dominated roles such as nursing and caring, creative and design roles, and customer-focused roles are valued, and therefore paid, less than traditionally male-dominated roles such as medical diagnosis, legal, and accounting roles."

What's the answer?

There is progress on the legislative front, in that high priority issues such as childcare are on the national agenda, but policy at a government level to support an equal and inclusive workplace remains woefully inadequate.

In absence of policy and structure, there are moves businesses can make to address gender inequality, which has a bottom line benefit. Once you create a workplace which allows a family unit to function without women needing to substantially sacrifice their working hours or career progression, you are giant leaps ahead in achieving the holy grail of productivity — staff retention.

Something that is particularly achievable for small businesses is rethinking the structure of a working day. Specifically, moving away from billable hours to an outcomes-based system, and not requiring staff to always be at a centralised office during business hours.

Jenny Brown, who is the founder and chief executive of financial planning firm JBS Financial Strategists, finds that providing flexible arrangements for staff is key to breeding loyalty. Allowing staff to work in an environment where both their work and personal life aren't overwhelming them, and where one isn't working to the significant detriment of the other, is also crucial to productivity.

Take an example of a parent that needs to pick up their child from school. If that's not permitted due to a mandated number of office hours, that parent, at pick-up time, will likely be dedicating some brain space to wondering if their child is safe.

"Our practice manager, when she came on board with us, part of the condition was two days she would work from home because she's got school-aged kids. At that stage they were kinder school, and she travels an hour each way," Ms Brown said.

"For her to be able to work from home, duck out, pick up the kids, bring them back, they look after themselves while she does the work, it means that one: we retain her, we've got good quality, and two: she's really happy, and she gets a really good work/life balance."

Big four firms and mid-tiers are making moves to have more inclusive, female-friendly workplaces which encourage equal opportunities for progression and salary. The standard party line is that those firms are doing it in the name of equality — and to an extent, that is true. The fact is though, firms like these with a decided focus on their bottom lines would not be pouring significant resources into supporting women in the workplace if there wasn't a commercial incentive. Having a diverse, inclusive and equal opportunity workplace is a smart business position. For that reason alone, it's worth assessing your strategies, your structure, and your understanding of equality.

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7%

the average rise in income for an accountant in 2016/17

Climbing the accounting LADDER

Accountants' salaries and job prospects are streets ahead of some business counterparts, but the market is competitive. We take a look at the growth hotspots and how you can give yourself the upper hand at the negotiating table

by Jotham Lian

→

With national unemployment rates hovering at 5.6 per cent, and jobs growing at an annual rate of 2 per cent, you'd be forgiven for thinking the employment market in Australia is looking robust.

However, while employment is on the up, low wage growth has tempered the public's positivity, with the Australian Bureau of Statistics (ABS) revealing that wages grew by a record low 1.9 per cent in the past year — the 20th consecutive quarter of falling wages growth for the private sector.

Despite the sluggish wages growth, accountants have relished their strong position in the market as demand for intermediate to senior positions has seen a spike in salaries for professionals.

ATO taxation statistics for the 2013/14 financial year revealed that the average taxable income for an accountant (general); bank accountant; chartered accountant; financial analyst, stood at $105,107 for men and $71,552 for women.

In 2014/15, those roles attracted $110,636 for men and $73,904 for women, a 5.2 per cent and 3.3 per cent growth respectively.

Further, the 2017 Hays Salary Guide published earlier this year also noted that the accounting market "has remained strong since the resurgence witnessed back in early 2015".

Hays senior regional director for accountancy and finance, Susan Drew, believes accountants have yet to see the full salary increase potential despite expected growth coming in at a steady 6 per cent in 2015/16, and 7 per cent for 2016/17.

"I think there will be more opportunities coming for salaries to increase but we haven't necessarily seen that reflected in the market at the moment," Ms Drew said.

"The reality is the market is definitely improving but increases are probably going to start coming through towards the beginning of next year."

However, Robert Half director for Victoria and Western Australia, Andrew Brushfield, believes accountants should look at the data with a pinch of salt, with supply and demand driving certain areas of accounting further up.

"Generally, you are looking at marginal increases," Mr Brushfield said. "Growth in accountants' salaries is probably pretty similar to around the Consumer Price Index (CPI) level so it's not drastic by any means but yes there is a bit of an increase.

"There are pockets within accounting that you will always find will get higher or lower increases in comparison to CPI and typically they are the more niche skill sets, the more in-demand skill sets that can command higher salaries, and the more generic skill sets... then I suppose the salary banding is probably a little bit flatter."

"The opportunities are looking at more than just the numbers, more than just the reconciliation of debits and credits, it's far more about strategic support and direction of the business, and looking for how they can maximise opportunities for their clients"

– Susan Drew, Hays

Dream jobs

Mr Brushfield believes future-proofed accountants who can negotiate a higher salary will be professionals who can engage and support the business beyond their usual "number crunching" skill set.

"There is always an enormous need for accountants with very strong commercial skills and abilities to deal with the commercial operation of an organisation be it the operations department, the sales department, or the strategy department," he added.

Likewise, Ms Drew predicts that firms will be on the lookout for accountants who can be business partners by supporting the strategic direction of the business.

"With the introduction of more effective technologies, firms are now really trying to utilise their people to go out there and create more opportunities," Ms Drew said.

"They are looking to upscale, upsell the skills as opposed to just delivering that bottom line of finances but how they can get involved in financial analysis for their clients, and how can they look at strategic opportunities for them as well. The opportunities are looking at more than just the numbers, more than just the reconciliation of debits and credits, it's far more about strategic support and direction of the business, and looking for how they can maximise opportunities for their clients."

Specifically, business services, tax and audit type roles have continued to demonstrate steady opportunities, says Ms Drew, while Mr Brushfield says the highest wage growth comes from

niche accounting areas such as statutory reporting professionals and tax experts where there are generally fewer candidates on that career path.

Hays regional director for accountancy and finance, David Cawley, says he sees a huge demand for payroll and credit control professionals, who often get multiple job offers and are "out of the market in days".

"Finance managers and financial controllers are probably seeing the highest joint biggest demand in first movers but are seeing the better opportunities to take advantage of salary increases because their ability to help a finance function and grow that quickly or achieve the goals that an organisation has got… clients are willing to pay a premium to get those sorts of people on board," Mr Cawley added.

First movers from the big four accounting firms are also still in hot demand, leading to a higher negotiating power, according to Mr Cawley, but typically only to listed organisations that have ASX reporting or overseas reporting requirements.

"They know that engaging a big four background candidate, they come with rigour, standard, the ability to work to very tight timeframes and have come out of an environment where demands on their ability and quality of what they do is very high," said Mr Cawley.

"I see a large demand for those candidates and a huge shortage for them to the point where a lot of what we do for our clients is around the talent pooling of those individuals so when they do need them we have the candidates available."

Hotspots

Despite an overall growth, salary increases have not been uniform nationwide.

The east coast has contributed to the bulk of the growth, with Sydney at the front of the grid and Melbourne close behind.

Mr Cawley says he is also noticing "real hotspots" in Tasmania where there is a talent pool shortage in a smaller geographical area, driving up salaries.

"It's driven by the building sector job levels and that's because of infrastructure development and renewals going on in places like Hobart and Launceston," added Mr Cawley.

"They just have large gaps in terms of the candidate volume and quality that is available."

On the flipside, Mr Brushfield says Western Australia is still continuing to feel the effects of the downturn of the mining boom.

"If you reverse the clock back to six years ago, Perth was absolutely flying, salaries were going through the roof and NSW was really struggling, so it is definitely determined by geography," said Mr Brushfield.

The negotiating table

Noting the highly competitive marketplace, Ms Drew has urged accountants looking for a career jump to place emphasis on staying up-to-date with technological developments in the trade and staying in the loop with market trends before plunging into the job market.

"You can't just go in asking for something — you need to be able to articulate what the value is to the employer and the benefit to them and the differences that you are going to make as well," said Ms Drew.

"It is a highly competitive marketplace; there are a lot of candidates out there with a wealth of experience.

"It is about what can you do that is potentially different from other people — consistent on-going learning, demonstrating that ambition to keep their skills very up-to-date, very new, very fresh, that will definitely support more opportunity for career progression and then give you the opportunity to be able to articulate the differentiators and the additional value you can add will support salary increases as well."

Adding to that, Mr Brushfield believes hitting the books for additional qualifications and designations may prove to be the 1 per cent that helps you land your next role.

"The higher up you go within an accounting structure, the more necessary it is to have further qualifications. Absolutely, you will have more money if you have those designations or those qualifications," said Mr Brushfield.

"Those qualifications alone don't take you that far. They are very important don't get me wrong but personality, cultural fit, commercial nous, issue resolution ability, all of those are vitally important.

"There are examples of people who are super well-qualified but are not necessarily climbing the tree because they lack in other areas."

For Ms Drew, the best tip she can offer to accountants is to know their worth and to adequately articulate that to prospective employers.

"Be clear about what you're looking for and be able to substantiate why and the additional value that you can add," she said.

Likewise, Mr Brushfield believes it is all about distinguishing yourself.

"It is a competitive market that they are operating in so the best way to separate yourself from other people and therefore give you better negotiating power is to have done things that have set you apart from other people — so what have you achieved in previous jobs, what's your impact been, what's the legacy that you're leaving an employer," said Mr Brushfield.

"If you have a stronger résumé that impresses those achievements then you stand in a stronger position in getting a new job and negotiating a better wage."

Education

Rethinking your EDUCATION

Getting the bulk of your studies done early on in your career may not be the ideal structure for a modern accountant, with members finding success by taking a more flexible, lifelong approach to education

by Jotham Lian

Recognising the need to upgrade and refresh their skills has not been lost on accounting professionals, with many hitting the books again in a bid to stay relevant.

Academic institutions, too, have been quick to embrace this uptake, offering a wider breadth of courses through correspondence and cloud delivery to expand their geographical reach across the country.

But with myriad programmes and courses available in the market, how does one start sifting through and choosing the right option for themselves?

The case for further education

Deakin University associate dean Professor Barry Cooper points to the shifting landscape of the accounting industry as a prime motivator for professionals to upgrade.

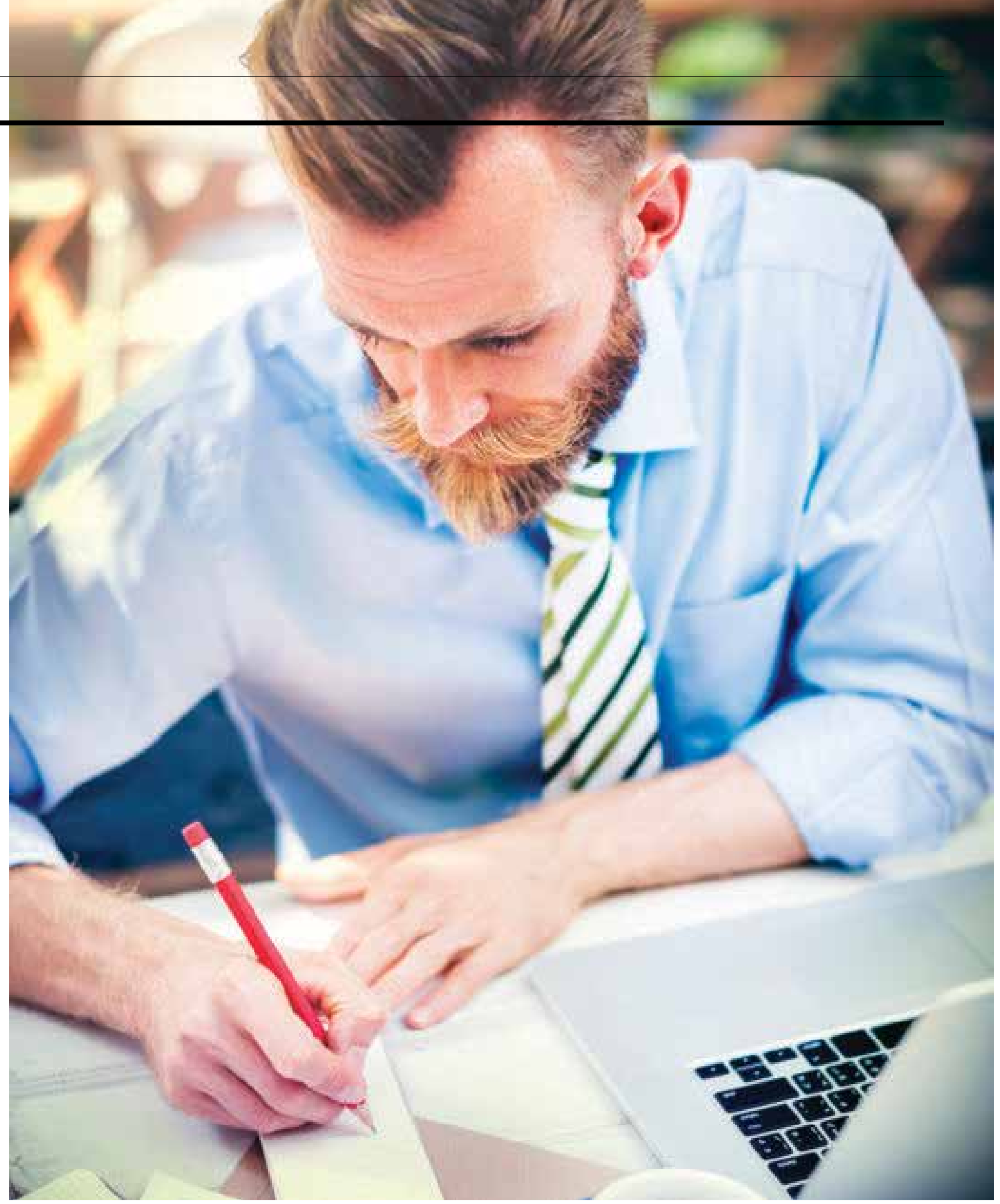
"I think the public accountants that will survive in the future will be those who have the skills to have advisory roles for their clients rather than just a technical role," Professor Cooper said.

"The move now towards cloud computing, towards the availability and use of big data, the importance of strategic planning, integrated reporting — all these tend to indicate that the skill set of accountants of the future will have to be much broader than what it is today."

No longer being able to take their skills for granted, Professor Cooper says a strong way forward is to embrace lifelong learning.

"Whether it is back to university or whether it is short courses or professional courses, I think there is no question about the fact that you need to have a journey of lifelong learning as an accounting professional," Professor Cooper said.

"I think it's really important because the role of accounting has changed quite dramatically and there is no question."



Likewise, Institute of Public Accountants executive general manager, Michael Linke, says the days of having one formal qualification to support the rest of your working life is probably over.

"You can't expect information you gained before you started your career to keep you relevant, especially since the accounting profession is experiencing unprecedented change," Mr Linke said.

"An approach which adopts a mindset of absorbing the latest in professional trends ensures we maintain a high level of commercial awareness and ensures that staying abreast of change becomes the norm, not the exception.

"Lifelong learning helps you remain equipped with valuable tools and information, helps you achieve a higher level of career advancement, and ensures you are seen as a critical source of knowledge and advice to those around you."

Beyond a skill upgrade, Mr Linke says undertaking further education midway through your career allows you to take stock and reflect on your career direction, giving yourself time to ask critical questions to plan your future.

"Undertaking study at this stage allows you to fine-tune your career aspirations, showcases to your employer and those around you that you have strong ambition, and motivates you to become really, really good at what you do, and be seen as an expert in your field," said Mr Linke.

"This is a great time to build your own personal brand, own it and develop experience, confidence and assurance – traits we often lack in our younger years when we first enter the world of work.

"This is the time to test the boundaries of your comfort zone. Are you in a career that you love? If the answer is no, don't worry — it's never too late to hit the reset button. It may seem scary now, but your future self will thank you for it."

What are the incentives?

Recruitment firm Hays notes in its 2017 Salary Guide that the accounting industry is looking ripe for salary growth, with high demand for candidates with specific skills and experience.

Robert Half director for Victoria and Western Australia, Andrew Brushfield says distinguishing yourself with higher education can help secure a position and put you in the driving seat to command a higher salary.

"The higher up you go within an accounting structure, the more necessary it is to have further qualifications. Absolutely, you will have more money if you have those designations or those qualifications," said Mr Brushfield.

"That being said, those qualifications alone don't take you that far. They are very important don't get me wrong, but personality, cultural fit, commercial nous, issue

"Whether it is back to university or whether it is short courses or professional courses, I think there is no question about the fact that you need to have a journey of lifelong learning as an accounting professional"

– Professor Barry Cooper, Deakin University resolution ability, all of those are vitally important.

"There are examples of people who are super well-qualified but are not necessarily climbing the tree because they lack in other areas."

IPA member David Collogan was in his 50s when he decided to jump on the chance to further his qualifications with a Master of Commerce, a move that paid off when he managed to attain his dream position as a general manager.

"I'm not saying it was easy by any means but I had to do it because I had to reset my goals," explained Mr Collogan.

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

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

Professor Cooper says Mr Collogan is not alone when it comes to mature aged students returning to university.

He points to incentives such as being able to qualify for academic credits from work experience and the affordances of technology which allow professionals to study while working full-time.

"The good thing is you don't have to start from scratch, you can actually broaden your skill base because a lot more universities are a lot more flexible now about giving credit for prior experience which I think is a good thing," said Professor Cooper.

Additionally, Mr Linke believes mature-aged students are better placed to succeed at university due to their ability to focus on coursework beyond the social aspects of tertiary studies that plague their younger peers.

Studying alongside the younger generation also has its benefits, says Mr Linke, by allowing experienced professionals to draw on new ideas, and learn to collaborate with their future professional work colleagues.

"As an older student, chances are you've 'been there and done that' — and have the scars to show for it," added Mr Linke.

"Having the ability to reflect and examine real life issues you've encountered throughout your career gives you the confidence and ability to look beyond a traditional textbook response and develop a real-life solution that has been previously tried and tested."

What's on the table?

The IPA recently announced changes to its flagship IPA Program, moving from a Master of Commerce (Public Accounting) to a fully-fledged Master of Business Administration (MBA).

IPA chief executive Andrew Conway said the move would ensure its members have a competitive advantage in the marketplace.

"The accounting profession continues to evolve and our members undertaking the IPA's MBA professional program will be well placed to provide the essential advice their clients are seeking as their trusted advisers," Mr Conway said.

"This innovative pathway provides due recognition of the quality and standing of Members (MIPA) and Fellows (FIPA) of the IPA by providing advanced standing based on verified professional experience.

"As the only Australian professional accounting body offering an MBA as its Professional Program, we believe our program raises the bar to meet the expectations of clients and businesses."

"As the only Australian professional accounting body offering an MBA as its Professional Program, we believe our program raises the bar to meet the expectations of clients and businesses"

– Andrew Conway, IPA

Working in partnership with Deakin University, the new MBA professional program will be offered on CloudDeakin, an online learning platform that is "highly visual, media rich and interactive".

"Our flagship program, the IPA Program, is highly unique in the fact that it focuses on subjects you wouldn't immediately associate with traditional accounting programs," Mr Linke said.

The six units to complete the IPA MBA include: Business Process Management; Strategy Capstone; People Management; Marketing Management; Principles of Leadership; and, an SME Advisory unit.

Apart from the MBA, accountants can also leverage on a variety of online and in-house classroom training sessions, and congresses and symposiums that offer CPD hours.

"Our events are delivered face-to-face and online, ensuring our members are kept up-to-date and can expand their knowledge when and where it's most convenient for them," adds Mr Linke.

"Our members tell us it's the sense of belonging that they value most, so we host networking events across Australia, from discussion and special interest groups to social drinks and formal dinners with keynote speakers – allowing our members to meet and build their networks with their peers from across a range of different industry sectors."

Bookkeepers looking to further their studies can also upgrade their qualifications through the IPA's popular Certificate IV in Accounting, Diploma of Accounting and Advanced Diploma of Accounting.

"For tax agents and BAS agents, we offer a unique online training program which guides this group through establishing and running a successful BAS/tax practice, showcasing key elements of business success, including the development of strong business plans, client engagement and retention, strategies for continual growth, and important regulatory and legislative requirements," said Mr Linke.

"Our members tell us it's our range and scope of academic offerings that they really value — and our mantra is to always ensure the education we provide here at the IPA is personal, practical and relevant."

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Making passion SCALABLE

Serial entrepreneur Merlin Kauffman started working life at age 11. Now, he is on-track to conquer the world by bringing a digital solution to an industry built on principles of wellness, relaxation and healing

by Adam Zuchetti

→

American serial entrepreneur Merlin Kauffman started working life at age 11. Now, he is on-track to conquer the world by bringing a digital solution to an unlikely industry.

Soothe may only have been established in 2013, but already the business operates in 53 cities across North America, the UK, and now Australia.

Visiting Australia recently to launch the massage therapy platform in Sydney and Melbourne, Mr Kauffman took some time out to chat about his approach to launching a business into international markets, leveraging the sharing economy to boost growth, his experience raising nearly US$50 million in capital and why hiring the right people is only part of the team-building journey.

Entrepreneurial spirit

The UK's Richard Branson is often held up as the ultimate example of a successful entrepreneur. Having spent just 30 minutes with American Merlin Kauffman, it's clear this wonderkid may soon be joining the same league.

Mr Kauffman was fascinated with technology as a child, so much so that he landed a job with AOL at the tender age of just 11.

"I said I was 18 on a job application and got hired remotely!" Mr Kauffman says with a chuckle.

"I was fascinated by the computer, by technology, by the internet, and I wanted to be involved in a more intimate way with that whole ecosystem."

His lie was quickly discovered, and his employment in that role was terminated owing to child labour laws. Yet determined not to kill the youngster's initiative and drive, AOL moved him into a volunteer-only position at a forum known as Youth Tech.

"I feel like there were parts of my childhood that I kind of didn't pay as much attention to as many of my peers. But at the same time, it was really what I was passionate about and what I wanted for my life," says Mr Kauffman.

From AOL he went on to

→ co-found a wireless internet company at age 17, achieving phenomenal success for someone so young.

"I used $10,000 of college loan money to start that, one domain at a time. I turned it into a seven-figure annual profit business, passive profit business. It still exists today, and still performs well," he says.

Profits and passion

Fast forward to 2013 and Mr Kauffman again found a gap in a market, this time within the massage sector.

"My mum is actually a spiritual healer, does hands-on healing, guided meditation, energy work and so I grew up with a bit of an eastern philosophy to health and wellness, and I was getting massages from a very young age.

"It's my form of meditation, it's where I go to [reflect] and balance myself and recharge. My mind is very active, and so for me, I don't sleep a lot – so a forced nap or forced meditation is laying in a massage bed for an hour-and-a-half and just getting stimulation of my muscles but at the same time relaxing my mind."

It was his reliance on massage and its benefits on physical and mental wellbeing that led him to establish Soothe – an online platform that connects pre-vetted and registered massage therapists with clients that may or may not be accustomed with massage.

And, in an example of a job that many people would kill for, each therapist's skills are put to the test before they are enlisted to gain work through the platform.

"We have a very stringent screening process when it comes to [the] therapists [we work with]. We do a 30-minute demo message for each person who applies, and we turn down about 30 per cent of all applicants who come through the door," says Mr Kauffman.

"We only let people join the network who we'd want in our own homes, people with good communication skills, good hygiene, and people who have great massage technique."

Going for growth

Scale, scale, scale – business owners are told. However, the 'how' is much more difficult and less tangible than the 'what' and the 'why' in this instance.

Mr Kauffman says that any business owner looking to scale their business should look at the online world.

"Anything in the real world takes a long time and is very expensive – it's hard to quickly scale any physical construction or any deployment of say, people installing servers," he notes.

"Anything you do virtually is much more scalable. Any time you estimate time in the real world, multiply by two or three, and then run your business model and see if it still works."

It is a philosophy that forms a core part of Soothe and its growth strategy today.

"We focus mainly on English-first markets, so for us we focus on having our economies of scale, so we didn't have to add different layers of multi-lingual customer service, different versions of the app in different languages, and that's made it really simple," he says.

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People power

For Mr Kauffman, the biggest lesson in business has been the power of people – not just in hiring the right ones for your business, but really empowering the people who have been brought on board to excel in their own right.

"We don't hire middle managers. Our organisation is very flat; we only hire people who are willing to roll their sleeves up and get dirty too, and that's what it takes I think – people who are doers, not just commanders," he says.

Then once you have effectively brought them into your team, Mr Kauffman says it is just as important that you don't become a hindrance to them in advancing their skills and performing at their best.

> "As a CEO, you can have big ideas, but you should never overestimate the importance of your own involvement"

"You maybe micromanaging a little bit in the first six months of your relationship, until you really trust that they are capable of doing what they need to do," he explains.

"Once the trust is there, then get out of their way, because they know what to do better than you do, because you hired them to do it in the first place."

According to Mr Kauffman, this can become a significant stumbling block for many business leaders, particularly as the company grows, who believe they are indispensable.

"It's like separation anxiety – a baby starts to walk, and if you hold its hand too long, it won't ever run," he says.

"As a CEO, you can have big ideas, but you should never overestimate the importance of your own involvement. Once the business starts to crawl, then it walks and then it runs. It doesn't need you as much as many CEOs think that it does."

"The beauty in... working with smaller businesses, I got to work very closely with successful entrepreneurs and business people and learn directly from them"

Making ₵ENTS

From fleeing her war-torn country to building two successful businesses, IPA member Natasha Janssens explains how she's kept pace with financial services by embracing challenges head on

by Jotham Lian

Arriving in Australia as an 18-year-old refugee from Serbia following the 1999 NATO bombing of Yugoslavia, Natasha Janssens had to strike out on her own and make sense of a whole new environment.

At the time, she had little interest in the world of finance, choosing instead to study software development, before a stint in a family-owned retail business saw Ms Janssens handling some bookkeeping work, piquing her interest in the accounting world.

Fast forward to today and Ms Janssens operates as a qualified accountant, licensed financial planner, and mortgage broker under her own boutique firm in Canberra, Sova Financial.

Her journey was by no means a fluke, with Ms Janssens diving into different opportunities presented to her, starting as a tax accountant at Taubenschlag & Associates, then as a management accountant at the Australian Pharmacy group before a break as a senior consultant at the big four firm, KPMG.

"The beauty in all of that especially with working with smaller businesses, I got to work very closely with successful entrepreneurs and business people and learn directly from them," Ms Janssens said.

"[I got to understand] what their thought processes were, how they managed their business, how they negotiated deals and all those sorts of things so it really gave me a lot of those skills that you wouldn't really learn at university — all the practical aspects of navigating the world of having a business."

→

Triple threat

In leaving KPMG, Ms Janssens sought to reconsolidate and take stock of her role in the industry, leading her to set up Sova Financial in 2013.

"It was a combination of things; my husband and I were planning on starting a family so I wanted to have a little bit more control of my work schedule but also I was looking for what my true passion was and what was the best way I could go about helping people," explained Ms Janssens.

Her experience with clients getting lost between conversations with accountants, brokers, and advisers motivated her to unify those three services under one "holistic advice practice".

"Through Sova Financial I maintained my accounting licence and also became a licensed financial planner and mortgage broker basically so I could help families navigate through the whole process and be able to liaise with one person instead of getting caught in the regulation trap," said Ms Janssens.

"It'd be so much easier if I could have that conversation with them end-to-end and take everything into account."

As she went about building her business from the ground up, Ms Janssens became pregnant with her first child, "as luck would have it".

With baby boy Nicholas in tow and a budding business ahead of her, Ms Janssens' entrepreneurial instinct picked up on yet another business opportunity.

"When my son was born I discovered Facebook groups where mothers were doing a lot of networking online and there was a Facebook group for pretty much every topic that you could think of but there was nothing really much in relation to finance," said Ms Janssens.

"I saw that these mothers were turning to those Facebook groups and seeking financial advice and guidance, and so in consultation with them I said 'why don't we set

up a group that's dedicated purely to this topic?'

"So, I started out a move that at the time was called Mummy Matters since we were talking about money matters for mums and just through word of mouth within a few months, we grew to about 300 members including some from interstate."

Her act proved to be such a hit that she decided to set up the business 'Women with Cents' in January 2016.

"[The Mummy Matters group meet-ups] were quite popular to the point where I was getting requests from women who were interstate, asking how they could access this and this included women who weren't mums and that's sort of how it evolved and how Women with Cents came to be," she adds.

"I decided to start up a proper business and a proper brand for it and to take the workshops that I was doing and take them all online so we could reach as many women as possible and not be restricted by geography."

Just under two years later, Women with Cents now has over 7,000 women subscribed, with her online delivery of podcasts and 12-week courses allowing her business to grow outside of Canberra.

An accounting focus

Despite juggling two hats as director of Sova Financial and founder of Women with Cents, Ms Janssens has kept her accounting feet firmly planted on ground and predicts her firm's model will be emulated in time to come.

"I think it's already moving that way to a larger extent, with all the recent changes in regulations about what accountants can or can't advise on with regards to super, that has already moved a lot of accounting practices to get a financial planning licence," said Ms Janssens.

"Looking at the industry as a whole, there are more and more businesses consolidating their services so they may not have one individual like myself who is licensed across all three professions but they are certainly starting to bring those services in house so that their clients aren't being bounced around through different firms."

With the accounting landscape undergoing significant changes, Ms Janssens says her time as a triple licensed professional has given her greater perspective on what accountants can better do to stay ahead of the curve.

"There is some very savvy and sophisticated software coming out even for small business but this is a challenge that not only accountants face, but even financial planners and mortgage brokers are facing as far as how can it add value apart from the data entry component of it because there is a lot of technology nowadays that can look after that," said Ms Janssens.

"I found that when I switched from being an accountant to being a financial planner that the nature of my relationship with my clients changed.

"With my financial planning, we were having far more personal and intimate conversations around their goals and values and really digging further into their personal finances apart from what you would when you are just looking after their taxes," she added.

"That's the next step for accountants… building those relationships and being more involved and proactive with their clients throughout the year, because usually we see them at the very end of everything unless there's something specific that they need advice on.

"I think developing those personal relationships more and helping guide them through the year and teaching them how they can be more strategic with the way that they manage their personal finances and their taxes, I think that would be where accountants can value-add."

"Looking at the industry as a whole, there are more and more businesses consolidating their services so they may not have one individual like myself who is licensed across all three professions but they are certainly starting to bring those services in house so that their clients aren't being bounced around through different firms"

Looking to the future

Ms Janssens has big plans for Women with Cents, hoping to push it to become the national "go-to resource for women".

"There is no clear standout for [women] as far as to where they would go to for all this information, not even with ASIC's Money Smart or the ATO website," said Ms Janssens.

"I want to build up Women with Cents so that it is the first place they think to go to for financial information whether that be tax-related issues or something else."

To add to that, Ms Janssens hopes to roll out a matchmaking service that helps connect women to accountants and financial planners because of the "analysis paralysis" that many of her clients face once they have been given the necessary financial information.

"[Women] tell me there are so many accountants and financial planners out there that the decision is overwhelming so they won't do anything," she explains.

"I'd like to build up a database of like-minded businesses so that once a client has established a need and they recognise what it is that they are after, through that system they can choose an accountant, financial planner or mortgage broker that they like the sound of and they can contact them and get the ball rolling from there."

On the flipside, Ms Janssens has no plans to expand Sova Financial, fearing that it might lose "that boutique and personalised touch about it".

Ms Janssens knows exactly how important that personalised, community feel is, having been a member with the IPA since 2008, a move that has given her the impetus to grow.

"I love the community that we have here in Canberra because thinking with my financial planning and mortgage broking hats on, in those professions there really isn't much of a community and a network through the associations that's happening in Canberra, most of the events take place in the larger cities like Sydney and Melbourne," said Ms Janssens.

"Whereas with the IPA we have a great little community in Canberra that catches up regularly, there are people I can bounce ideas off or ask questions if I'm unsure on a technical point.

"So that's been very helpful in advancing my career but also to grow my practice."

Business building

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

How leveraged can your firm be before things start falling apart?

As accounting firms grow they can begin to leverage their employees to provide both compliance and advisory work, however without paying attention to challenges along the way they could risk losing it all

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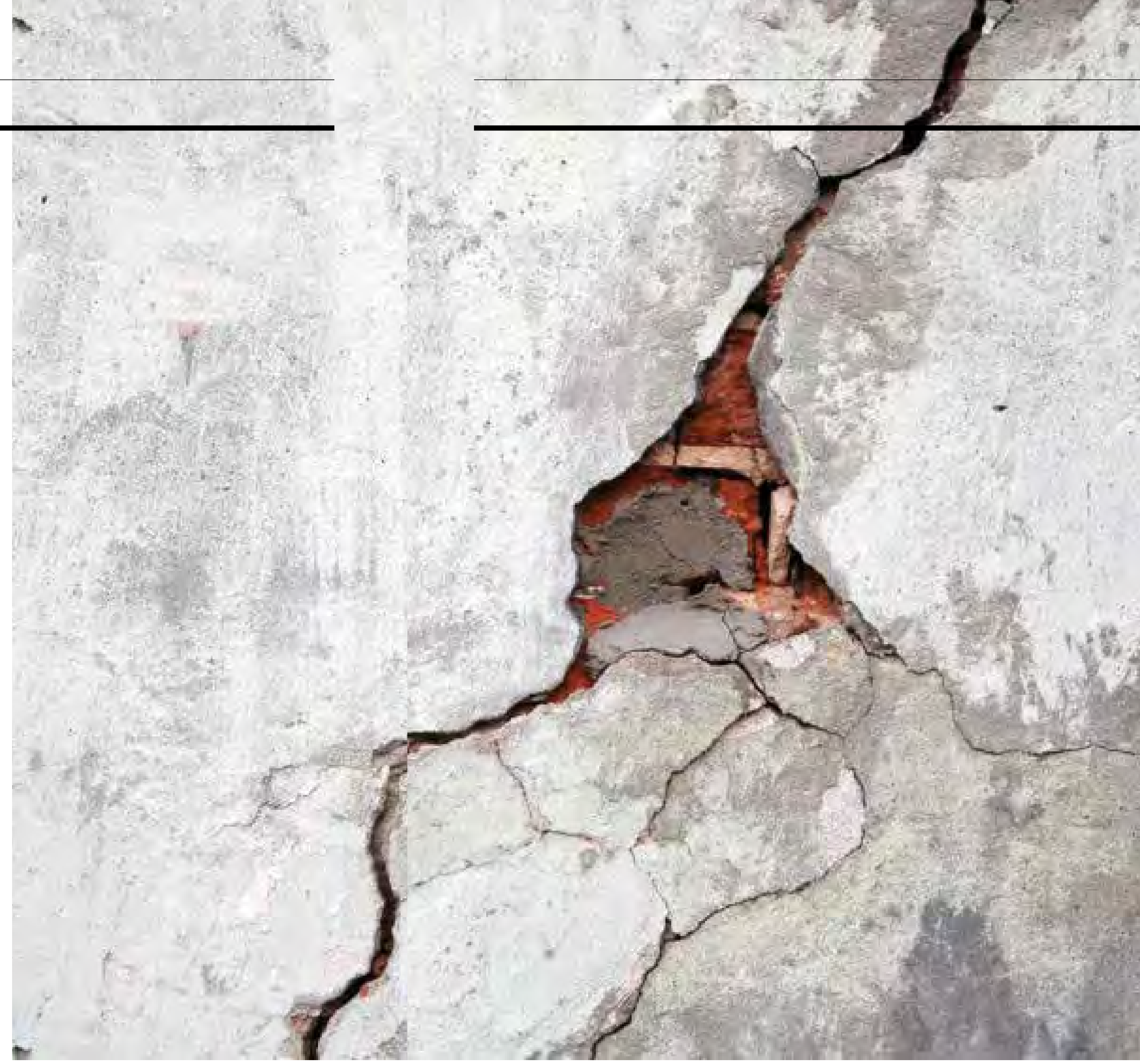
by Dale Crosby



Dale Crosby, senior adviser, High Tech Soft Touch

Your team is your firm's most valuable asset, as well as its largest expense. It makes sense to utilise this resource effectively. Any professional service firm knows the value of effective leverage, indeed without this, it can be difficult to grow a practice in any sustainable way. In general, higher leverage will lead to greater revenue and profit. Whilst firms with higher leverage have a lower net profit percentage, partners in these firms take home substantially more money.

Given the importance of leverage, it's somewhat perplexing to see that, in smaller accounting and advisory firms in particular, there's often resistance to the effective delegation of workflow management and client relationships. These issues become more critical when partners and managers try to transition from compliance to advisory work.

One model of effective leverage looks at three different services levels:

'Procedural' services are of relatively low value to clients. Solutions to client needs are generally easy to develop and can be largely systemised. By their nature, these services are fee sensitive and the focus is on efficiency of delivery. Clearly, most compliance services fall within this level.

'Grey hair' services utilise the knowledge of the more experienced people in the firm. They are of medium value to the client. Some elements can be systemised if repetitive, high level work is identified. Fees are higher and less sensitive to market pressures. This level includes general business and financial advisory services.

'Brains' services generally consist of bespoke solutions delivered by highly skilled individuals. They are of high value to the client and quite difficult to systemise. There is little opportunity for leverage and, as a result, fees are high. Strategic and specialist advisory services fall within this level.

The first challenge arises when a firm believes that they can provide all these services in a leveraged and efficient way. Essentially, the value proposition is different for the three service levels. Compliance-based firms will struggle to deliver advice effectively and advisory firms can often struggle to deliver compliance effectively. We can already see in our own firms that compliance experts aren't necessarily strong advisers (and vice versa). So, is it possible to have both types of services provided in a leveraged, consistent way within the one firm?

Most smaller accounting firms are predominantly compliance-focused. The balance starts to shift as firms increase in size and have increasing capability to provide strategic advice through the recruitment and development of specialist advisors. Data from external benchmark studies confirms that the proportion of fees attributable to core compliance decreases from around 70 per cent for smaller firms to 25 per cent or less for top tier firms. With more staff, it gets easier.

Clearly, there are some challenges for smaller firms in creating effective leverage to focus on higher level work. These include:

- Concern over the loss of high-level client relationships when work is delegated;
- Challenges in developing the technical competencies of staff at all levels;
- Variations in the way that partners and managers expect work to be completed; and
- Resistance from clients who demand attention from more experienced staff.

Without attention to these challenges, things will start to fall apart as roles and responsibilities are leveraged. Both client and staff turnover can increase without careful attention to systems and processes.

Some highly leveraged smaller firms can be successful in transitioning from a traditional partnership practice model to a more corporatised approach to service delivery. These firms generally have a cultural and organisational DNA that supports leverage, and it starts with the firm's leaders.

1. These firms understand that different approaches by partners and managers to the way clients are engaged and compliance work is completed will reduce efficiency and hinder growth. Sure, everyone has their own style. However, agreement on fundamental processes including how compliance work is managed and completed is essential for effective leverage.

2. The partners of these firms are keen to give their staff the opportunity to develop client relationships based on roles and responsibilities. They understand the inherent risks of delegating responsibility for client relationships. However, they also understand that without this, they simply can't make the time to focus consistently on higher-level services. Clients of these firms know that there is a team approach to service delivery and this adds significant value to everyone.

3. The responsibility for compliance-driven workflow is delegated as much as possible. From the calling in of work to the follow up of clients for information and the completion and invoicing of jobs, staff have the systems and processes to deliver effective outcomes. Performance measurement at an individual level focuses on a 'balanced scorecard' of KPIs rather than a simple focus on production that has no real correlation with value and profit.

4. Wherever possible, client support services that are not technical in nature are delegated to administrative staff who have the communication and organisational skills to effectively manage client relationships. The role of 'client concierge' is a most important and effective one in firms that have achieved true leverage of client relationships.

For many accounting firms transitioning to a stronger advisory model, the outsourcing of compliance work is a key step in freeing up internal resources to focus on value added services. I see the real value in outsourcing not just in terms of reducing the cost of compliance, but in forcing the development of common systems and processes in the way that work is completed. And perhaps, in the case of some firms, compliance will come back in-house when systems and processes are so strong that these services are no longer an internal distraction.

The ability of your firm to leverage services is dependent only on your commitment to moving from a siloed approach to client relationships and workflow management towards a more centralised approach that clearly says 'this is the way we do things here.' For some partners of firms, this can be an enormous challenge. For those leaders of firms that see the opportunities associated with effective leverage, the journey can be a tremendously rewarding one, both emotionally and financially.

Lessons learned from small business

From idea to reality, having a small business is at one and the same time a wild and mundane, exciting and terrifying and an easy and overwhelming thing to do. Here are the lessons I learned about small business the hard way

by Petris Lapis

Petris Lapis, director, Petris Lapis Pty Ltd

Learn to 'flan'

I had a fabulous business plan and some really great products, but I didn't gain traction until I learned to 'flan'. 'Flanning' is a combination of planning and going with the flow. You have to make plans and then be prepared to change them as circumstances change or you get more knowledge about what customers and clients really want. I thought I was going to sell 'apples' and I did, but not very successfully. When I tweaked the idea and starting selling 'bananas' (apples with a supercharged twist), I had trouble keeping up with demand.

The other aspect of 'flanning' is time frames. You might want to be at a certain point in two years, but if a family member gets sick or one of your staff commits fraud (both happened), then the plan has to be flexible enough to change.

Trust your instincts

I have been on the receiving end of some doozy sales pitches from marketing and branding gurus. "Don't pay me, I will work for 10 per cent of the increased profits you make. (It doesn't take long to work out how many inherent nightmares there are in that one-line pitch). 'It doesn't matter if you overpromise and underdeliver, that's what people expect', 'It doesn't matter if you don't understand the marketing campaign, you are not your clients and this is how everyone is marketing at the moment' and 'You must make social media your highest priority'.

Trust your intuition when a service provider either promises you something that sounds too good to be true or tries to sell you something you don't understand. If it sounds too good to be true, then it probably is. If you don't understand it, then your clients won't either. 'Flavour of the month' anything is not good if it doesn't contribute to your bottom line. I don't have the time or resources to put into 'flavour of the month' advertisements that fail to deliver me business.

Have the right motivation

At an internal level, we motivate ourselves either 'towards' what we want (a business which nets me $450,000 per year) or 'away from' what we don't want (to work for someone else for example). One of these works incredibly well and the other is a recipe for a yo-yo small business cycle.

The yo-yo small business cycle goes like this. You have a strong initial motivation to take action and remove yourself from your source of pain (e.g. working for someone else). Once you are away from the source of pain, your enthusiasm starts to wane until one day you look at your bank account and realise things are not great and the source of pain is looming again (I am not making enough money and I might have to work for someone else again). Then you work like crazy and get the business back on track… at least until the pain is removed again and you start to take it easy all over again.

The best way to overcome this cycle is to have some solid business goals you would like to achieve and then take the steps to get there.

Don't be too clever (keep it simple if you have a choice)

If you are running a small business, aim to keep it as simple as you can. For example, when you are choosing a business name, a logo or a 'tag line', don't be seduced into being too clever. Keep it simple. If you clean houses at Caloundra, then 'Caloundra House Cleaning' is a great name because it says where you are, what you do and is something people are likely to type into their search engine. If you were to call it 'Cleaners 4 U', it is not clear what type of cleaning you do or where you are located. It is also going to be difficult for people who have heard your name to know how to type it into their search engine.

When it comes to names:

- Choose something that is spelled how it is pronounced and does not include numbers so it is easier for people to do an internet search for you.
- Choose a tag line which simply states what you do. It took me 15 minutes of conversation with a man to eventually work out from the tag line on his business card and the 'pitch' he gave me to understand that what he did was put shelves in shops. Potential clients shouldn't have to work that hard to understand what you offer.

Face and overcome limitations

It never ceases to amaze me how stunningly brilliant humans are at self-sabotage. We will live much smaller lives and have much less successful businesses than we could if we acknowledged, accepted and worked through our limitations.

Let me give you an example of how even family expectations can limit us. Is it OK to be a thief? You would probably say 'no'. What if you came from a family of pick pockets who have made their living that way for many generations? In that case, you could be ostracised by your family if you chose not to be a thief. Our culture, our social network, our families and sometimes even our closest loved ones can provide unexpected limitations when we decide to run a business. 'Don't get too big for your boots.' 'You don't have what it takes.' 'Are you sure about this?' 'She's the only one in the family who didn't' go into medicine; waste of brains really.'

Your other limitations come from your beliefs about and attitudes towards what is and isn't possible for you. There is a famous story about a motor car dealer in America when the global financial crisis hit. Other dealerships starting talking doom and gloom, laid off staff and cut back on stock. Instead he got his staff to drive vehicles out to rich estates and offer free test drives. Once you've had a test drive in a new car, your old one isn't ever quite as nice. He didn't experience a downturn as the other dealers did because he had different beliefs and attitudes.

Forget how it's always been done

We are in times of unprecedented and accelerating change. Doing things the way they have always been done is no longer going to be good enough. We are still using business and management systems that were designed for the business world which existed decades ago.

The capacity to embrace change is increasingly a skill necessary for us to cope and thrive in life and business. Now to succeed in small business, you will need to have a beginner's mindset – open and curious about what could be done differently and how it is likely to change in the future.

See it as a challenge, laugh in its face and enjoy the ride. Queensland has a not-for-profit family law firm – that is a complete mindset reversal for the average lawyer. I have a colleague who has developed a 'virtual body' for trying on clothes online – a complete reversal from walking into a shop and trying them on yourself. What is possible in your industry? Start to think more flexibly about how you could approach the way you run your business, the systems you use, the people you employ or what you sell. Is there a twist you could give things to give them more value or make them unique?

In small business, it isn't always possible to stay on top of all the knowledge yourself, but if you can talk to other people you can still be well informed on what is happening.

We need more successful small business in Australia and we also need more people with the courage to step out and lead the way. Ensure you get some great advice and then enjoy the incredibly rewarding journey of your small business.

Unleashing your business potential

Decide what business you are really in now and unleash the massive opportunity that resides in the gap between intent and reality

by Judy Reynolds

Judy Reynolds, founder and chief executive of Opening Gates

1. What business are you in?

The answers are, as expected, numerous and wide ranging. Responses include – we're in the business of accounting, helping people be more financially savvy, ensuring our clients meet their statutory obligations, giving people hope and peace of mind or enabling financial freedom. None of these are wrong and often the response comes quickly and easily. The answers are usually published for all to see on websites, marketing collateral and beautifully framed displays in premises.

Write it down – what business are you in – this is what I call your intent.

I contend that both the quandary and the big opportunity for business lies in the gap between the intent and the reality. Too often the reality is far removed from the intent and to make matters even worse there is a tendency to avoid acknowledging this gap. It is as if we are blinded to the reality.

2. What business are you really in?

This is a question that goes to the heart of the reality of business. It is not about intent. It is all about what is actually going on. If you are in the business of enabling financial freedom, for example, then I would see evidence of that in your day-to-day operations, in your language, conversations, in your meeting agendas and your financial results – yes?

Do you walk your talk? Does your talk turn up in your results? Do you demonstrate what you assert?

It is time to turn the sensitivity meters down and swallow the ego for a bit. Until the questions are answered with complete honesty, and without blame or excuses there is nowhere to go other than to repeat the past. There is no place in this conversation for the gathering of evidence to support a position which does not align with the business you desire and plan to be in.

Write it down – what business are you really in – this is what I call your reality.

3. Get real – examine the gap

Consider this insight from the perspective of compliance and advisory. In my opinion, nothing will change in this space, until you get absolute clarity on your current and intended position in terms of the following three alternatives.

Choose which statement is reflective of your current position:

1. We are an advisory business which does compliance
2. We are a compliance business that does advisory
3. We are both a compliance and an advisory business, equally weighted.

Whatever the answer, make sure it represents your current business model. It will be clearly evident both in how you do business and in what you do in your business every day. Draw a continuum from 1 to 10 – 1 being entirely compliance and 10 being entirely advisory. Mark where you currently sit and write reality.

Now choose which statement represents your intention for your business – the future perspective.

Again, whatever the answer, it must represent both where you want to be and what you assert that you do, and it will be evident in how you plan to do business and what you plan to do every day going forward. Mark your position on your continuum as your intent.

4. Why knowing your intent upfront matters

There is immense power in this simple process. It is a graphic representation of the extent of the shift required. Making the assessments in your head is not an option.

I recommend that you have your team and a number of your clients answer these questions to give you another perspective – one that is less biased by the emotional investment you have as an owner and entrepreneur. Their insights will be invaluable.

Let's continue with the compliance v advisory scenario. Your compliance v advisory intent must be your point of reference in decision-making going forward. Your intent impacts your

- Products and services
- Ideal client criteria
- Contracted and employed skills, abilities and experiences
- Team behavioural profiles
- KPIs
- Pricing
- Service delivery
- Choice of COIs and alliances
- Business model
- And much more

Your business plan and growth strategies must also reflect your intent. Your intent establishes the focus for the way you do business and it cannot be negotiable.

If you plan to be an advisory business that does compliance then an advisory focus will exist all year round. How you resource your business will reflect your intent. Advisory will not be put on the back burner until compliance deadlines are met. Client meeting agendas will drive advisory conversations. Your people will be recruited, trained and developed to engage in future-focused, relationship building, proactive conversations rather than transactional, historic reactive ones.

KPIs will drive the behaviours required to deliver what it is you say you do. Your client engagements will focus on advisory services. Advisory products will be listed before compliance services. Your financial results will reflect your intent – advisory income will overtake compliance fees.

I have used this example of intent to demonstrating how critical and all-pervading knowing what business you are in really is. It impacts every layer of business and it requires aligned and unwavering thinking and focus.

5. The mindset shift is critical to the process

The first shift in this process is a mindset shift. If you are not completely sold on being the business your intent reflects then it is likely that you and your team will, when the going gets tough, default to what has always been done. It is human nature. This means that the gap remains and potentially expands given your market and your operating environment is likely taking quantum leaps in a different direction.

The first sale must be to yourself. You must sell your vision to yourself before you can sell it to anyone else. Have you sold your intent to yourself?

Knowing why you need to transition, knowing how you might do this and with a plan in place, it is time to ask yet another question.

How do you feel about the gap?

Draw another continuum to better illustrate this emotional reaction – 1 (total overwhelm) to 10 (super excited). If you are less than super excited then consider why that might be so. This emotional rating reflects your appetite for the process of bridging the gap. It reflects the energy which you will bring each day, and your commitment to what needs to be done. It is what your team and clients notice in your demeanor and your language – it is contagious. Do not underestimate the impact of going into a process of gap bridging halfheartedly.

This may seem radical, but if, knowing the why and the how, you're still not emotionally ready to lead a transition in something as all-encompassing as changing the business that you're in, then you might choose to change your intent. Yes, there will be consequences which must be identified and considered. These consequences, however, must be compared to the impact of going in halfhearted.

6. The bonus

Now here is the bonus. The value of the client parallel in this process is huge. Take this process and apply it to your clients and their businesses. Sit with your clients and workshop the concept of intent and reality. The fact that you have this conversation with your business clients is evidence that you walk your advisory talk. How on earth would you know if your clients are on or off-track if you haven't done this work together? It is a prerequisite of staying relevant to your clients and bringing real value to the table.

More than regurgitating the facts

Accountancy is not just about reeling off facts and data, but figuring out what they mean and why they matter to our clients

by Heather Smith

Heather Smith, director, ANISE consulting

I went for a long walk recently with my dog Charlie, and I realised towards the end of the walk – I did not have my step counter with me. Deflated, I thought well this has been a waste of time. My statistics for the week would not reflect the walk. My weekly averages would be impacted, and my forgetfulness may negatively impact my motivation for staying focused on my fitness regime. Then I started wondering – how I could hack my step counter, and if I did, how many steps would I enter?

Of course, the health benefits of the walk were still the same. Technically, I could manually update the data. What I was really worried about was my motivation and falling off the fitness wagon.

As accountants, we love to be able to provide a clean financial report, producing accurate facts and data about businesses.

Yes, this is the basics of what most businesses want from their accountant. But they want more. They want to know what the financial reports mean and why they matter to them.

What information from financial reports can be extracted, and shared with the business to both motivate the business team, and give them confidence.

Motivation and confidence

On the weekend, when I did, in fact, remember to take my step counter, I clocked up 40 kilometres walking. That's just shy of the distance of a marathon. The statistics let me know that potentially I could cope with a marathon giving me motivation, and gave me the confidence to contemplate upping my game!

Pulling this back into the business, what do the numbers mean, why do they matter, how can I work with the client to motivate them and enhance their confidence?

With a clean set of financial reports - how can the accountant further help the client?

Sometimes I think accountants are reluctant to offer advisory support – because they feel there's an expectation that they should be able to solve all of the small business owners problems.

A doctor cannot solve all of a patient's problems. They can educate them, empower them, and potentially refer them to a specialist. Likewise, an accountant cannot solve the problem but is extremely well-placed to provide useful advice. So rather than leaping into advisory work, take a few small steps, that is completely within both your and your client's comfort zone.

Start by allowing some time during the communication process to ask your clients some open-ended questions:

- What are the client's long and short-term business goals?
- What are the client's pain points or concerns in their business?
- Are they anticipating any significant staffing changes?
- Are there aspects of the financial reports that I can further explain?

Listen to your client, ask for further details and clarification, make notes and action points during the meeting. Identify if you have internal resources that can further support the client or businesses within your network that you can connect the client with.

A detailed review of the elements of the accounts

Moving from the macro discussions, you could talk to a client about specific areas of their business.

For example, if you were to have a discussion on how clients could minimise their expenses, here are a few points you could address:

1. Review annual expenses and extrapolate with the client what each of the expenses is covering. Is the expense amount fair, reasonable and what they expected? I've heard of situations where the internal staff working for builders have pushed their own personal renovation bills fraudulently through the business;
2. Review annual expenses and identify if any account line is significantly greater than the rest. Assuming the information is accurate – consider further splitting out the detail for future reporting;
3. Identify if there have been any major changes in annual expenses for the past three to five years and if they warrant further inspection;
4. With an understanding of the business operations – are there any expenses that are unexpectedly missing? Have directors been paid appropriately? Has the rent been processed through the accounts? Sometimes in smaller family businesses – they can have unorthodox ways of dealing with transactions;
5. Use a bills and scanning solution like Receipt Bank to extract data from supplier invoices and push details into the accounting solution (QBO, MYOB, or Xero). This ensures the accounting solution has the supplier documents attached and enables the business to manage cash flow by planning when payments will be made;
6. Review the top 10 suppliers list. It highlights who the business is frequently spending money with (not the volume of money). With this information, the client may be able to explore discount opportunities. For example, if they realised there were many parking bills, could they explore renting a car parking space, or pre-booking car-parking and benefitting from the discounted prices

Small businesses are made up of many elements, and each has an impact on another area. If for instance, you review expenses and decide to reduce the marketing budget for a client, that may impact the quantity and quality of clients they attract in the months to come.

Or reducing the packaging costs, may result in damaged deliveries, and increase the number of refunds that require processing. When reviewing expenses, it's necessary to consider the knock-on impact it may have on other areas.

What business data can regularly be reviewed on a business intelligence dashboard to ensure the business team stays motivated and has the confidence to stay focused on their journey?

If the client is keen to understand if they can take on bigger project work – review their data for past project performance, and use it to assist in predicting future outcomes. As it stands, the accounting records may not reveal accurate insights and may require massaging or an adoption of new business processes.

The first step is to identify existing and ongoing projects and ensure they are being tracked. Complex project tracking requirements may require a full-blown solution. It's necessary to assess the cost of obtaining the data versus the accuracy of the data.

What does the project data mean and why does it matter?

I worked with a client who decided to close one project division of his business because it had been performing poorly for two years, and nothing he could do seemed to turn it around.

His gut could not understand why it was performing poorly – but the black and white financials said it was. Literally, moments before he pulled the plug I was called in to explain why the project division was losing money. Upon review, I identified import costs had consistently been incorrectly allocated. Instead of losing cash, it was, in fact, generating a healthy profit.

The incorrect data had demotivated the team for two years. The client was in such emotional turmoil about this realisation. He did not have the energy to maintain the division. Instead of closing it, he sold it off.

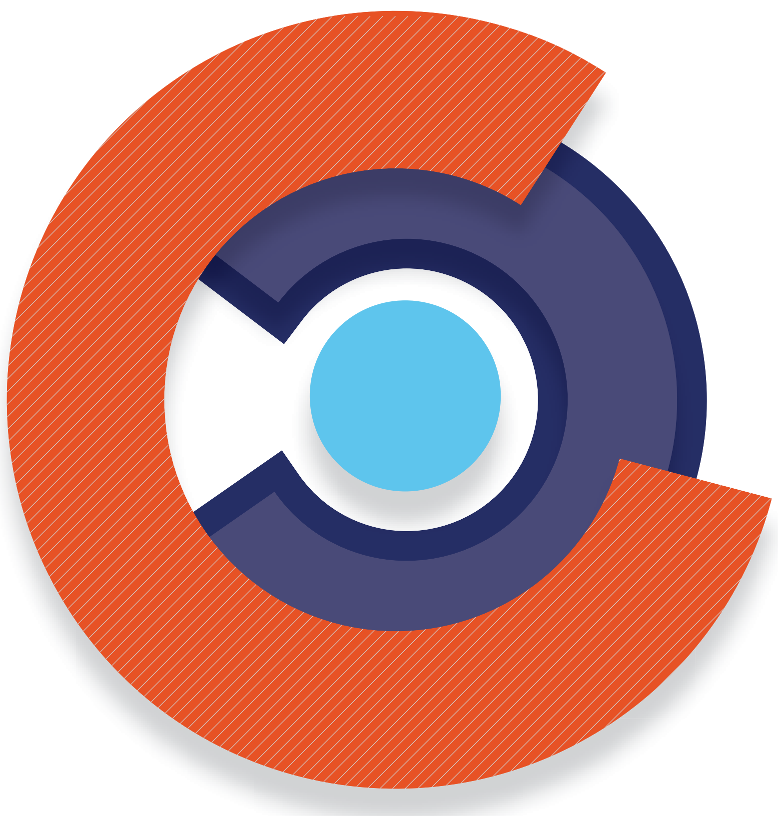
It's a depressing story, highlighting how financial data can impact a business team's motivation and choices.

If a business has access to accurate project financials, they have insights about whether the type of work is profitable, and they are equipped to understand if they increase dedicated resources such as advertising budget or additional staff, they may be better placed to leverage and focus on growth in the project area.

Maintaining the accuracy and integrity of my step counter gives me the motivation and confidence to explore longer walks, and take on greater challenges, which has a knock-on result of improving my health. Accountancy is not just about regurgitating the facts and data but figuring out what they mean and why they matter to our clients.

360 DEGREES

Do you think accounting professionals should be compensated by the ATO when its digital systems fail?



Mark Ratcliff

managing director,
BMR Corporate Solutions

The idea of compensation from the Australian Taxation Office (ATO) has been floated from several different sources, including tax agent's representatives. I agree that the problems have been significant and that tax agents have been disadvantaged – as a tax agent I have been directly impacted by these outages.

On the other side of the coin, while we built our own software, we also suffered technical challenges during development. One thing that we never did was make available to our customers software which was faulty, did not complete the tasks stated or malfunctioned. Our view was maybe a bit old-fashioned – if it wasn't right, then it was wrong. If it was wrong, we didn't publish the software. We didn't adopt a close-enough attitude.

The ATO refers to tax agents and ultimately all taxpayers as customers. If we were customers we would be able to take our business elsewhere. Realistically, the ATO should be viewing all taxpayers as clients. If I had results which were similar to the ATO, my clients would leave.

I understand that problems occur and errors happen. If they ever happen in our office, we immediately remedy the problem, review and modify our process to ensure that this does not happen again.

Unfortunately, I doubt there will ever be any type of compensation. I doubt there will be anything to come from the ATO besides reminders for clients to pay overdue amounts, reminders that the elusive 85 per cent lodgement requirement applies and reminders from the ATO that using underperforming digital by default solutions is the future.

David Smith

director,
Smithink

On the face of it, if a regulator is unable to provide the promised platforms to enable efficient compliance with the laws that it administers, then it stands to reason that those who rely on the platforms to comply with those laws should be compensated if losses are suffered due to the unreliability of the platforms.

However, like most things, the devil is in the detail. How are losses proven and what is the appropriate compensation?

Losses will be different across firms. High volume/low margin practices may find the disruptions having a material impact on their profits as the impact of any technology outage will represent a larger proportion of the cost per client compared with lower volume/high margin practices. Some firms may be well organised and be able to quickly put work aside and commence other tasks during a period of outage and suffer little other than some angst. A one-size-fits-all approach to any compensation might be a windfall for some and be insufficient for others.

The alternative might be to have firms provide evidence of the losses suffered but I suspect for many the cost of doing this might be larger than the compensation offered. How this evidence may be validated is another can of worms.

You could argue that this is just life in the modern age. Systems fail – software companies will resist any form of compensation if their systems fail. However, the regulator is a special case. You can't move to a different regulator if you don't like their systems – whereas this option is available with the technology suppliers.

Rob Pillans

founder and principal consultant,
Plant Consulting

From a moral perspective, the right thing to do would be to compensate those who have suffered a loss as a result of systems failure. It has been reported that the ATO received compensation from HP for at least one or more of the system failures and if that is the case it does seem to be fair that they do the same with their customers.

Having said that, I can see some practical issues in terms of managing the compensation process. The quantum of loss suffered needs to be calculated and verified and compensation paid only where a genuine loss has occurred. I draw the line here between a genuine loss and inconvenience.

From a legal perspective – well that is really one for the lawyers. I've not read what terms and conditions accounting professionals accept when they sign up to connect with ATO's systems but it would be no surprise if there were a pile of words that basically say "hey, we will try to do our best but if it doesn't work out we will not be liable for anything." Those of you who have read any of the standard terms and conditions that come with pretty much every software application will be familiar with this notion.

I think there is an opportunity for the associations to work together to exert serious pressure on the ATO around both the reliability and functionality of its systems and the need for compensation where losses have been suffered. I noticed in one media report the Inspector-General of Taxation Ali Noroozi said that he would need a "critical mass before investigating the matter". If that's not an invitation to get involved I don't know what is. A loud and united voice has the greatest chance of being heard and acted upon.

Geoff Stein

partner,
Brown Wright Stein Lawyers

Tax agents, and other accounting professionals that rely on the ATO's digital platforms for their livelihood have become increasingly frustrated for two main reasons.

Firstly, for its own internal efficiency, the ATO requires practitioners who interact with the ATO to use the ATO's digital platforms. This means the operating efficiency of tax professionals is highly correlated to the ease and efficiency with which the ATO systems can be accessed and remain functional.

Secondly, the ATO demands that agents submit returns within nominated timeframes consistent with the extended lodgement system. The published ATO plan requires or "encourages" tax agents to lodge a minimum of 85 per cent of returns before the due date. Follow-up calls are not unusual.

It may be that some recourse is available to practitioners either by way of class action or a claim for maladministration in relation to the additional expenses and professional time spent in dealing with and responding to the failure of the digital systems, and liaising with affected clients.

Some practitioners may find these losses difficult to quantify and the process to pursue compensation could be long and expensive.

A different practical solution could be for the ATO to provide additional time and relax some of the pressures on agents for responses until these issues can be resolved.

Chris Jordan, as the current ATO commissioner of taxation, has repeatedly stated that he wants to work with the profession, and as a profession we should do what we can to encourage him to find and sponsor solutions to alleviate the stress and pressure that practitioners are enduring as a result of the ATO's digital system situation.

Technical

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

Confusion reigns

The uncertainty surrounding the eligibility for the small business tax cut continues amongst corporate tax returns

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

Small business tax concessions are available only to entities carrying on a business. Whether an entity is carrying on a business is a question of fact. When it comes to a company and whether it is carrying on a business, the bar has been lowered somewhat as compared to other entities. The government has indicated that it does not want companies conducting passive activities to be entitled to small business tax concessions including the lower corporate tax rate of 27.5 per cent. It wants to restrict the lower corporate tax rate to entities conducting an active business.

The uncertainty has created a great deal of angst amongst practitioners trying to complete corporate tax returns not knowing whether they qualify as small business entities. The company tax return has a box that requires you to self-assess your eligibility as a small business entity.

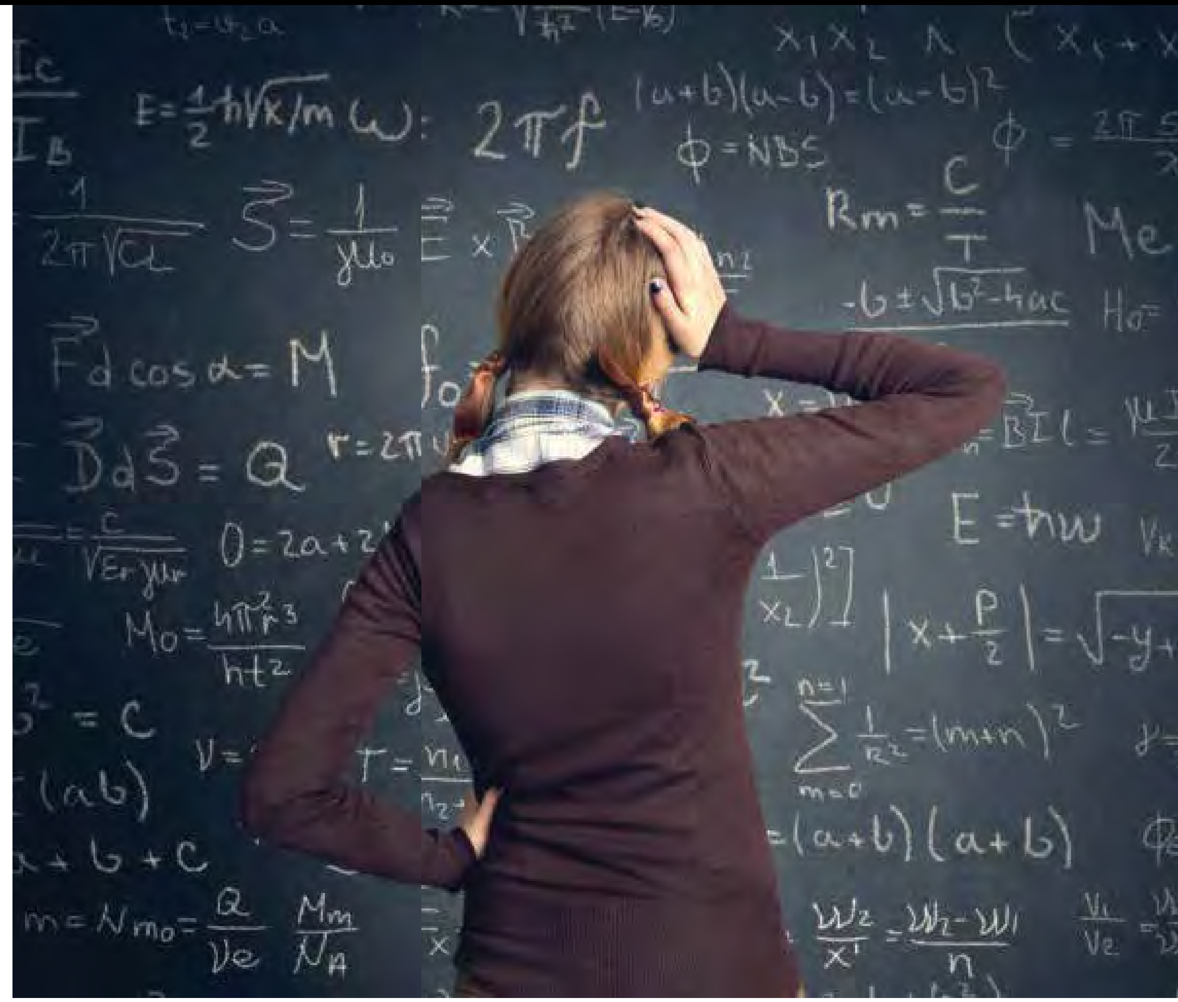
At the time of writing, the standoff between the ATO and the government position was still in limbo and we expect by the time this article goes to press that the matter will be clarified to give practitioners more certainty.

The small business tax concessions can be quite advantageous for eligible entities. The suite of tax concessions on offer are as follows:

- Simpler depreciation rules including instant asset write-off
- Increased small business income tax offset for non-corporate entities
- Lower company tax rate
- Accelerated depreciation for primary producers
- Deductions for professional expenses for start-ups
- Small business restructure rollover
- Simplified trading stock rules
- Immediate deductions for prepaid expenses
- Two-year amendment period

To work out if you are eligible for small business entity concessions, you first need to work out if you are a 'small business entity' in an income year. The eligibility review needs to be done each year and it is not a set and forget process.

From 1 July 2016, you are a small business entity if you are a sole trader, partnership, company or trust that:



- operates a business for all or part of the income year, and
- has an aggregated turnover less than $10 million (the turnover threshold).

The $10 million turnover threshold applies to most concessions, except for:

- the small business income tax offset, which has a $5 million turnover threshold
- the capital gains tax (CGT) concessions, which continue to have a $2 million turnover threshold.

SMALL BUSINESS ENTITIES TURNOVER THRESHOLDS

YEAR	AGGREGATED ANNUAL TURNOVER THRESHOLD	ENTITIES UNDER THE THRESHOLD	OTHER CORPORATE TAX ENTITIES
2015-16	$2 MILLION	28.5%	30.0%
2016-17	$10 MILLION	27.5%	30.0%

In previous income years, you were a small business if your turnover was less than $2 million.

As mentioned in the opening paragraph, the question of whether an entity is carrying on a business is a question of fact and there is no definitive definition. It requires a weighing up of various indicia. Judicial decisions often cite the following indicia:

- The nature of the activities undertaken and if they have the purpose of profit-making
- Repetition and regularity of the activities
- Organisation of activities in a business-like manner
- The keeping of books and records and the use of systems
- The volume of the operations and the amount of capital employed

When applying these factors to companies, the ATO has taken the view that where a company is established or maintained to make profit or gain for its shareholders (and has a prospect of profit), its prima facie position is it is likely to be carrying on business. The ATO maintains this view even if the company only holds passive investments and its activities consist of receiving rents or returns on its investments and distributing them to shareholders.

In other words, a company incorporated for the purpose of making profits for its shareholders is prima facie carrying on a business.

The ATO's view stems from judicial precedents that the activities of a company unlike those of an individual are unlikely to be able to be described as the pursuit of a hobby or being undertaken to meet a domestic need. Where a company has no purpose or prospect of profit, will it not be considered carrying on a business? For example:

- Holding land to facilitate access to a beach for the company's owners' activities undertaken by the company
- An incorporated social club, charity or owner's corporation under strata titles statutes whose sole purpose is to maintain and manage land and buildings for its owners

Examples of where a company has been found to be carrying on a business:

- A subsidiary which has been gifted shares and holds those shares for the purpose of deriving profits and later paying dividends to its shareholders
- A holding company whose principal activities were the holding of shares, leasing equipment and buildings to its subsidiaries and providing administrative services to group members
- A company that borrowed funds to on-lend to companies in the same group carried on the business of money lending

TAX CONCESSIONS SUMMARY

AGGREGATED ANNUAL TURNOVER	$20,000 INSTANT ASSET WRITE-OFF	SMALL BUSINESS CGT CONCESSIONS	SMALL BUSINESS RESTRUCTURE ROLLOVER	COMPANY TAX CUTS	SMALL BUSINESS INCOME TAX OFFSET	SMALL BUSINESS POOL	IMMEDIATE DEDUCTION FOR CERTAIN START-UP COST
<$2 MILLION	YES	YES	YES	YES	YES	YES	YES
<$5 MILLION	YES	NO	YES	YES	YES	YES	YES
<$10 MILLION	YES	NO	YES	YES	NO	YES	YES

In the case of corporate beneficiaries of a trust conducting an active business; will the corporate beneficiary who loans the unpaid present entitlement back to the trading trust be considered as carrying on a business?

If the controlling minds of the corporate beneficiary believe that the lending of the money back to the trust represents a gainful use to which it can apply its assets then this arguably satisfies the criteria for carrying on a business. The government will need to consider the ramifications from a policy perspective when an active business is being conducted in a trust and the trading profits it generates are loan backed as working capital into the business.

If the ATO maintains its current position for companies carrying on a business, then the government will have no choice but to legislate to restrict access to the lower corporate tax rate to companies conducting an active business. Until this happens however, practitioners will be faced with uncertainty. The government has made it clear that the policy decision to cut the corporate tax rate for small companies was not meant to apply to passive investment companies. As the turnover threshold for small business tax cut increases from $10 million to $50 million over the next three years it is imperative that the eligibility criteria is clarified.

We hope that by the time this article goes to print that the uncertainty around the eligibility rules would have been resolved.

Technical | Income tax

Finally, certainty on uncertain tax treatments

New measurement rules may prove challenging for preparers, audit committees and boards responsible for ensuring financial reports comply with the required standards

by Jason de Boer

Jason de Boer, tax partner, BDO

For annual reporting periods beginning on or after 1 January 2019, IFRIC 23 Uncertainty over Income Tax Treatments will require entities to calculate the current tax liability in their financial statements as if the tax authorities were going to perform a tax audit, and the tax authorities knew all the facts and circumstances about the entity's tax position.

This could prove a fortuitous development for the ATO, with entities having to disclose key estimates and judgements regarding the determination of uncertain tax positions – it will enable the ATO to 'tailor' its audit program to address those estimates and judgements.

The International Accounting Standards Board (IASB) finally issued IFRIC 23 in June 2017 to clarify when and how the liability for uncertain tax treatments should be accounted for by entities applying IFRS. US companies have been subject to these rules for a number of years by having to apply FIN 48 (an equivalent set of rules that were introduced in the US in 2006).

This interpretation is not likely to be welcomed by preparers of financial statements because it will likely result in higher current tax liabilities being recognised at an earlier date for uncertain tax positions. Currently, there is divergent practice, with many entities taking an optimistic view and factoring in the probability of having a tax audit, as well as the outcome, rather than accounting for the 'worst case' scenario.

Although currently IAS 12 Income Taxes sets out the requirements for recognising and measuring income tax expense and tax assets/liabilities based on applicable tax laws, in many cases the application of tax laws may not be clear cut, with entities required to make an estimate prior to these uncertain positions being accepted by the tax authority. Disputes and tax audits could therefore have a significant impact on amounts recognised for the income tax expense and current and deferred tax assets and liabilities.

IFRIC 23 therefore clarifies how these uncertain tax positions are to be measured in the financial statements.

Which entities are likely to be most impacted by IFRIC 23?

IFRIC 23 is likely to have a significant impact on the quantum of income tax liabilities for entities subject to judgemental tax areas such as research and development and transfer pricing.

Are uncertain tax treatments considered separately?

The consensus in IFRIC 23 is that entities should consider uncertain tax treatments using the approach that better predicts the resolution of the uncertainty, taking into account:

- How it prepares its income tax returns and support for income tax treatments, and
- How the entity expects the tax authority to examine and resolve issues relating to the uncertain tax treatment.

In some cases, uncertain tax treatments would be considered individually and in other cases on an aggregate basis with other uncertain treatments. This could be complicated in practice if uncertain tax treatments are interdependent.

Does the entity need to assume a tax audit will beconducted?

When determining how uncertain tax treatments are likely to affect the entity's income tax expense and current and deferred tax assets and liabilities, IFRIC 23 requires entities to assume that the relevant tax authorities will perform a tax audit, and that the tax authorities will have full knowledge of all the facts and circumstances about the entity's tax position. Therefore, the entity ignores the probability of having a tax audit when calculating the amount of tax owing where the tax treatment is uncertain.

When is the effect of the uncertain tax position reflected in the entity's accounts?

Entities will only reflect the effect of uncertain tax positions when measuring income tax expense and current and deferred tax assets and liabilities if it is not probable that the tax authority will accept the uncertain tax position.

In such cases, one of the following measurement methods is required to be used:

Most likely amount

The single most likely amount in a range of possible outcomes.

Expected value

The sum of the probability-weighted amounts in a range of possible outcomes.

When is the effect of the uncertain tax position not reflected in the entity's accounts?

If it is probable (more than a 50 per cent chance) that the tax authority will accept the uncertain tax position, income tax amounts are measured consistently with the tax treatments to be used when the tax return is prepared after the financial statements are authorised for issue.

Changes in facts and circumstances

Entities will need to reassess judgements and estimates made regarding the uncertain tax treatment if facts and circumstances change, or as a result of new information that becomes available. This could occur, for example, when:

- The tax authority has taken a particular course of action, such as agreeing or disagreeing with the uncertain tax treatment or similar tax treatments by the entity or another entity
- Information becomes available about the amount received or paid to settle a similar tax treatment
- There have been changes in rules established by the tax authority, or
- The tax authority's right to examine or re-examine a tax treatment has expired.

However, where the tax authority has neither agreed nor disagreed with the tax treatment, this is unlikely to be considered a change in facts and circumstances that would warrant a change in estimate of tax balances.

Changes to amounts recognised for income tax expense and current and deferred tax assets and liabilities are then recognised prospectively as changes in estimates under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Entities will also consider IAS 10 Events after the Reporting Period to determine if changes in estimates are adjusted at reporting date, or treated as non-adjusting with the effect of the change merely disclosed in the financial statements.

Disclosure

Where there are uncertain tax treatments, entities must determine whether disclosure about significant judgements and estimates is required under IAS 1 Presentation of Financial Statements.

Implications

The new, clarified measurement rules may prove challenging for preparers, audit committees and boards responsible for ensuring financial reports comply with accounting standards. You will need to ensure an extensive tax review is conducted, firstly identifying all uncertain tax positions, and then assessing whether or not those positions are required to be accounted for under IFRIC 23.

Technical | Accountability

The ATO is coming no matter your size – are you ready?

When the ATO released its updated Tax Risk Management and Governance Review Guide, it set the benchmark in terms of the accountability for tax it expects from the directors of all Australian businesses – whether large or small

by Mark Griffiths and Vince Tropiano

Mark Griffiths, partner and national head of business risk services, Grant Thornton Australia

Vince Tropiano, partner and national head of tax governance and controversy, Grant Thornton Australia

This is on top of the myriad changes over recent years, aimed at widening the transparency around tax information and the level of income tax paid by organisations.

We have both worked with clients for some 50 years between us – Mark in helping clients determine their risk appetite and to implement robust risk management policies and frameworks; Vince working with clients on their complex tax governance requirements, with a large focus on the ATO's audit activities. We both rarely recall 'tax' featuring in the risk registers of many businesses – especially capturing such a wide range of businesses.

This is because the era of confidentiality in tax affairs is well and truly over. Businesses should expect greater demands on them in terms of justifying their tax performance, and managing these ever-increasing expectations by revenue authorities. The ATO will want greater clarity around how businesses look at tax and how they consider and manage their tax risk and governance. It will also expect to see tax being discussed at the board level, as well as greater interaction between management, the board and advisors on tax risk management.

It also provided a further indication of the way in which the ATO now administers tax and underpins the ATO's notion of 'Justified Trust' – its attempt at reinstating the public's trust in the corporate tax system through demonstrable governance and transparency.

While certain ATO programs are targeted at the larger organisations – this focus is now more than just the big end of town. While the expectation on tax risk management is not as strong on smaller organisations, the ATO will not exclude them from reviews and audits.

No longer is it acceptable for businesses to fully rely on their accountant or tax advisor to manage their tax risks – it is now considered to be a directors' duty. Management and boards must work hand-in-hand to ensure that their organisations have robust tax risk and governance processes prepared, documented and applied.

So, what exactly are the changes? Well, there have been five major changes in recent times:

1) The latest: the ATO will be undertaking a risk review of the top 1,000 companies in the country. These risk reviews are scheduled to take around four months each, primarily focused at what tax governance processes the businesses have in place, so the ATO can undertake a risk rating, as a guide to selecting companies for a more detailed review or tax audit. More on that later in this article.

2) The ATO's release of information around tax paid (or in some cases, not paid) by public companies and internationals with turnovers of over \$100 million, and over \$200 million by private companies

3) A new requirement for companies with turnover of more than \$250 million to lodge a particular schedule with future income tax returns, detailing tax positions taken by the company which may have some form of tax risk (assumed to be taken with the approval of board and management)

4) The push by the ATO and the Board of Taxation to encourage companies to adopt a voluntary tax transparency code is to, again, make companies' tax affairs more visible

5) The introduction of further rules around disclosure of global and local financial and tax information of multinational companies. The life of an SGE (a Significant Global Entity – companies where the global group has over a \$1 billion turnover in size) has become increasingly more complex with the introduction of Country-by-Country reporting rules, Multinational Anti Avoidance Rules, Deferred Profits Tax regulations, and a frightening massive increase in penalties for the late lodgement of any tax document (potentially reaching an eye-watering amount of over \$500,000). Even more challenging, these requirements will capture all local subsidiaries, regardless of their size

Back to the latest change and the focus on tax risk. The Guide firmly demonstrates ATO's expectation that boards are accountable for tax overall, and moves the burden of proof from the ATO identifying risks, to taxpayers being able to demonstrate, through a formal, operational and well-evidenced tax control framework, that tax risks are identified and managed proactively across the business, regardless of a taxpayer's risk rating or fact pattern.

More specifically, the Guide sets the following expectations:

- It splits practices specifically into board and management considerations
- The board is explicitly responsible for setting a tax risk appetite and a testing framework
- The tax risk appetite is to be articulated from both a strategic and operational perspective
- The framework covers all taxes, including transaction taxes such as GST with operational and interpretive risks, together with those dealt with by state revenue authorities
- A focus on data, IT controls and information flows between entities, systems and reports
- Preparation of a board-endorsed tax transparency report is recommended.

What are companies being asked by the ATO to evidence? Here is just a snapshot:

- The company's strategic and operational tax governance processes and framework
- The company's tax risk management policy, including its corporate and/or tax risk registers and/or documents evidencing how the company manages tax risk
- The company's decision-making committees, including a discussion of their role in the approval of transactions and where they fit within the overall corporate governance process and details of those that are responsible for tax governance

It is likely that the ATO will be sending directors a letter seeking this evidence and providing limited timeframes to respond. The remainder of Australia's Top 1,000 companies are currently subject to a review by the ATO at some point over the next four years.

With tax laws undergoing unprecedented changes and expansion into areas previously uncovered, will your business be able to demonstrate a robust tax risk management and governance framework? If not, the ATO will be visiting for a four-month period and to asking 'why not'?

Those business who are able to demonstrate a robust tax risk management framework will be able to readily respond to the ATO requests and be looked upon favourably from a tax risk perspective.

Technical | Corporate tax

The Sunraysia sham: a lesson in small business structuring

The recent decision of the Federal Court in *Sunraysia Harvesting Contractors Pty Ltd (Trustee) v Commissioner of Taxation* [2017] FCA 694 (‘*Sunraysia*’) offers an important lesson for advisers who might be considering some creative structuring options in order to claim tax benefits

by Philippa Briglia

Philippa Briglia, lawyer, DBA Lawyers

Sunraysia was an appeal from a taxation objection decision of the Administrative Appeals Tribunal (‘AAT’) to the Federal Court. The court held that the AAT correctly applied the case law regarding ‘sham’ arrangements, and the appeal was dismissed.

Background

For a number of years Mr Erdogan operated a business of supplying casual labour to meet the seasonal demands of orchardists and vignerons. Until June 2011 he did this via a company which he controlled, Alper Harvesting Contractors Pty Ltd (‘Alper’).

Alper contracted with growers to provide the casual labour required by growers and engaged employees to perform the work required by the growers. Alper was paid by growers and paid wages to the employees. It was required to account to the ATO for PAYG deductions and to the revenue authorities of the states for payroll tax.

However, in June 2011 the structure and method of operation changed. A new company Sunraysia Harvesting Contractors Pty Ltd (‘Sunraysia’), was incorporated. Sunraysia acted as the trustee of a discretionary trust of which Mr Erdogan and his spouse were beneficiaries. Sunraysia continued the role that Alper had in contracting with growers but no longer engaged employees. Instead, it purported to contract successively with three other companies: Danood Pty Ltd (‘Danood’), Jameron Pty Ltd (‘Jameron’) and Kigra Pty Ltd (‘Kigra’), for those companies to engage and pay employees, and to account for PAYG deductions and for payroll tax if necessary.

Danood was incorporated in June 2011 and was wound up in September 2012. Jameron was incorporated in September 2012 and wound up in July 2013. Kigra was incorporated in July 2013 and deregistered in July 2014.

The registered office of Sunraysia, Danood, Jameron and Kigra was the address of an entity, anonymised here to ‘SME Advisers’. It advertised itself as giving advice to small-to-medium enterprises on corporate and personal insolvency, asset protection and tax minimisation. Ms T was a ‘consultant’ with SME Advisers.

Documents tendered to the AAT in the original decision included a document described as a ‘Services Agreement’ which purported to be between Sunraysia and Danood for the provision by Danood to Sunraysia of ‘Services’. The document was otherwise blank, save for instructions on completing various items in the schedule to the agreement. Near identical Service Agreements also existed between Sunraysia and Jameron and Sunraysia and Kigra.

The document was signed for Sunraysia by Mr Erdogan and by someone described as ‘Danny Woods’ for Danood (noting that the name ‘Danood’ is a contraction of ‘Danny’ and ‘Woods’).

Mr Danny Woods gave evidence that the signature of the Services Agreement was not his and he knew nothing of Sunraysia. Based on Mr Woods’ evidence, the AAT found that he signed documents at the request of Ms T to assist her to set up other companies. That is, Mr Woods was essentially engaged by Ms T as a ‘signatures on demand’ provider.

Other documents tendered included hundreds of ‘invoices’ from Sunraysia to Danood, Jameron and Kigra. The invoices were handwritten in a pre-printed and numbered invoice book, the type able to be purchased at newsagents and stationers.

It seems that one of the aims of this structure was for Sunraysia to claim, among other things, input tax credits on supplies purportedly made to Sunraysia by Danood, Jameron and Kigra and deductions in relation to payments made to the contracting companies. The AAT found that ‘the circumstances overwhelmingly point to the conclusion that Danood, Jameron and Kigra were part of a façade created by Ms T to permit Sunraysia to avoid remitting PAYG deductions.

The straw man and the phoenix

Rather unsurprisingly, it turned out that all of the alleged subcontracting companies were effectively controlled by Mr Erdogan and his spouse.

In the AAT decision, the AAT was not satisfied that payments by Sunraysia to Danood, Jameron and Kigra were made in accordance with a contract between those entities for the ‘subcontracting company’ to provide labour to meet Sunraysia’s obligations to growers.

The AAT found that each of the contractor companies had been controlled by Mr Erdogan and his spouse, and found that the purported contracts between Sunraysia and the contractor companies were never intended to create any legally enforceable obligations. Mr Erdogan’s case was not helped by the fact that he was unable to produce any alleged employees of the purported subcontractors as witnesses, with the exception of one Mr Recep Aktepe who’s ‘affidavit was noteworthy for its brevity’ and his assertion that he had received group or PAYG certificates was ‘given in response to leading questions and through an interpreter’.

Instead, the arrangements were found to be shams, and this finding was upheld by the Federal Court. The Federal Court summarised the arrangement as follows: ‘in design, the structure put to Mr Erdogan by SME Advisers looks to be but a crude, interposed company of no worth, run by a straw man (a feature reminiscent of the ‘bottom of the harbour’ behaviours of a generation ago) with ‘phoenix’ successors’. Mr Erdogan ‘failed to show that he ever intended the key legal elements of the structure to take effect’.

The tax implications for Mr Erdogan were that the commissioner’s original determination was upheld. The commissioner had:

- determined that the arrangements between Sunraysia and the successive contractor companies were shams;
- disallowed input tax credits on the supplies purported to have been made to Sunraysia by Danood, Jameron and Kigra;
- imposed GST shortfall penalties and penalties for failing to deduct and remit PAYG amounts on Sunraysia;
- disallowed deductions claimed by Sunraysia in relation to payments made to the contractor companies, and
- assessed the trust (and consequently the beneficiaries) for resulting additional income tax.

The meaning of ‘sham’

The term sham is often bandied about casually but in the context of tax affairs it has a very specific meaning which we should pay attention to, given the negative tax implications that can arise where an arrangement is found to be a sham.

Technical | Compliance

Transparency and the Top 1,000: is tax ready for a new role?

The progress of the new transparency laws in closing the tax loopholes for top multinational companies was plain to see at the recent hearing of the Senate inquiry into corporate tax avoidance

by Ben Scull

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

The progress of Australia's new transparency laws in closing the tax loopholes on top multinational companies was plain to see at the recent hearing of the Senate inquiry into corporate tax avoidance. This suite of legislation, which includes the new Multinational Anti-Avoidance Law and transfer pricing rules, as well as the Diverted Profits Tax has been applied to the tax positions of major corporations such as Google, Microsoft, Apple and Facebook.

And there looks to be no respite, as the ATO extends its scrutiny of the reportable tax-positions of what was initially only a handful of the top corporations, to include the top 1,000 multinationals and public companies.

The news has caused consternation within the corporate world. And not just amongst those companies who have already been contacted by the ATO, but smaller entities too, in anticipation that the scope of the Tax Performance Program will continue to expand.

While the alarm is justified as companies will be required to take complex long-term measures to comply, there is also potential for the tax and accounting profession to take on a new and pivotal role within corporate culture.

Top 1,000 Tax Performance Program

The program is already well under way with the Senate hearing revealing that over 1,000 reviews have been completed, seeing over $4 billion in total assessments against large public groups and multinationals in the last financial year. A further 221 companies have also been reviewed, with at least 32 seeking to restructure their operations as a result of the ATO's enforcement of the new Multinational Anti-Avoidance Law.

What does the program involve? Each company's compliance with the new federal and international tax reforms is being tested through a Streamlined Assurance Review. The review requires the company to provide fact-based evidence on a range of activities including book and tax performance records, material transactions – including CbC and transfer pricing records, group organisational structure, and governance and industry-specific finance analysis for the last three to four years.

Each review runs over a four-month period from the letter of notification and involves a number of interactions between the company and ATO.

Why is the ATO's latest move so significant?

This latest development in the transparency regime is important in a number of ways. Firstly, from a policy point of view it represents a dramatic shift in the way corporate entities and governments interact. Justified Trust is a radical departure from the decades-old self-assessment model used by corporations to identify tax risks. And by extending to a broader corporate taxpayer group, it is seen by many financial leaders as a serious escalation.

The stringency of the measures also places huge pressure on companies to rethink the structure of their tax and finance teams and how they approach data and technology. Many are apprehensive about the ability of their current tax and finance systems and resources to deliver the level of accuracy required, potentially leaving them exposed to fierce fines of more than $500,000 for late or incorrect lodgements – in addition to further penalties, interest and the payment of the disputed tax. Added to this, are fears that the review will bring a new level of severity in the ATO's interpretations and judgments of tax claims.

Global financial reform

Australia's activities mirror a worldwide trend. Justified Trust joins a raft of international reforms championed by OECD and G20 countries to close the gaps long exploited by multinationals to shift profits and artificially reduce their taxable income.

And while governments are behind these initiatives, there is mounting pressure from boards and investors and from the general public for the corporate world to pay the correct tax and disclose accurate risks. Transparent tax reporting is part of the larger scale drive for global financial reform. Against the backdrop of the G20 Summit this year, investor groups over the world have been pressuring companies to report on climate change-related risks as financial risks, as they increasingly look for resilience in their portfolios.

How can companies achieve compliance?

What the ATO is asking is not unreasonable and many in the public arena are asking, "should this not have been standard practice already?"

Perhaps, but the tax rules of engagement between the government and organisations have changed and will continue to do so, which means now is the time for companies to act and to adopt the reforms as part of their ongoing processes.

The review has raised a lot of discussion about the role of technology, from cloud-based solutions, automation, to the decentralised ledger of blockchain. Technology is undeniably part of the solution. KPMG reported in Thomson Reuter's Weekly Tax Bulletin that the experience of completing the lodgments of Part A of the Australian Local Files (ALF) for BEPS country-by-country reporting for clients highlighted again the opportunity for automation to play a large role in solving the issues of data extraction and classification.

But technology is only one component – people, roles, processes, structure are equally important – compliance is not limited to the tax and finance departments, but involves everyone in an organisation, from the board and senior management and each business unit.

While the long-term solution for companies will take time to develop, there are some steps that can be taken immediately.

1. Gap analysis:

- Assess current position
- Investigate potential areas of exposure and deficiencies in the control framework
- Compare against the ATO's Top 1,000 Tax Performance Program guidelines

2. Prioritise and build action plan:

- Include whole tax framework, people – their roles and responsibilities not just technology, processes and the underlying data
- Bring in a consultant if in-house resources are not sufficient

A new opportunity for tax and accounting

Clearly all of this places tax and accounting and its position within the corporate world in a stark light. And while not to underplay the scale and impact of the reforms, this exposure offers an incredible opportunity for the tax and accounting industry – to take on a top-level position within the corporate structure.

Tax has traditionally been viewed within an organisation as a back office function and has typically had far less visibility at a board level than other organisational departments. It has also therefore been under less scrutiny. But the initiatives such as the assurance audit reviews are positioning tax as a change agent in corporate culture.

If an organisation is to successfully adopt the Justified Trust mindset then all of the divisions will need to work together. For tax, this means becoming more involved in the strategic direction of the business. The new rigorous measures also allow the tax division to actually generate money for the business by plugging revenue leakages brought by gaps in compliance. And from a risk management perspective, tax will be critical to ensure the company is protected from penalties.

It is likely that the scope and intensity of the ATO's assurance reviews will increase, so now, more than ever, is the time for companies to assess not just their tax position but the role that the tax function will play in the future success of their organisation.

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

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