

# Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS



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ACCOUNTANTS®



## A BIG WIN *for small business*

The major banks are finally responding to the unfair contract terms legislation.

Vigilance, however, is key for small businesses to benefit from the new rules

inside

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PRACTICES OF THE  
YEAR REVEALED AND  
CELEBRATED!

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– Chris Williams

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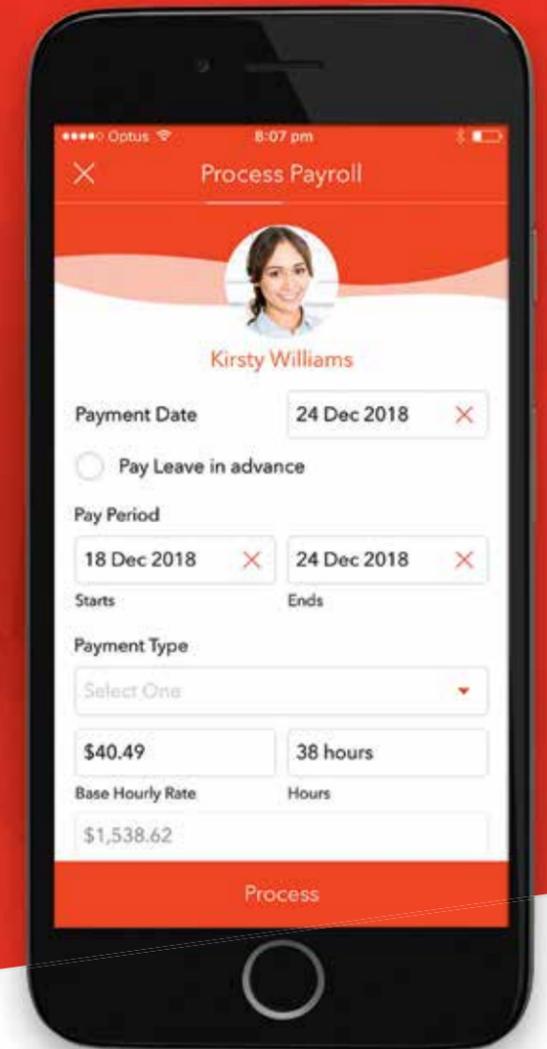
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## Voice of authority and reason



**H**appy new year – I hope 2018 proves to be a happy and prosperous year for all our members.

For the IPA and its members this will be a big year as we will be celebrating the IPA's 95th anniversary. More news of our celebrations to follow in coming editions!

In December, even earlier than usual, the IPA submitted its pre-budget submission for government consideration. It is true to say that many of the recommendations are repeated from the previous year but we are standing firm to advocate for positive change, particularly for small business.

A state-backed loan guarantee scheme is still high on the IPA's agenda and we will continue to pursue this initiative which has received support from the federal Labor Party and the NSW government.

Australia is one of the only countries in the developed world without such a scheme. Access to responsible and affordable finance will help many small businesses reinvest in their businesses and help create new ideas, new capacity and new jobs.

The IPA's advocacy effort will also push for bold tax reform. Australia needs genuine 'big bang' tax reform with consideration of the total tax structure, not necessarily to change the overall tax burden but to deliver a fairer, more effective, internationally competitive and less complex tax system. Holistic tax reform should also aim to remove the numerous

nuisance and inefficient taxes such as payroll tax and stamp duty.

Concurrent to the pre-budget submission, the IPA team is working with Deakin University to produce the second edition of the Australian Small Business White Paper. This is a major piece of work consuming many hours of research and discussion to generate policy changes for a more productive and healthier small business sector.

The second edition will expand on existing chapters and reinforce recommendations focused on innovation policy, simplifying regulation, competition policy, taxation and exporting. New areas being added include cyber security and the mental health and wellbeing of small business. All recommendations will be evidence-based stemming from the research conducted through the IPA Deakin SME Research Centre along with key findings from the small business roadshow carried out across the country in late 2017.

The advocacy and lobbying work will be further bolstered this year as the IPA takes a lead role in re-establishing the joint accounting bodies (JAB). Put simply, three voices are stronger than one. A re-established JAB will provide a common focus for a more authoritative voice in the best interests of members, the profession and the public.

Damien Moore FIPA FFA

## IPA Program Trimester 1, 2018 Enrolments Now Open

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From the CEO

## Members flying high into 2018



**“W**e’ve never had a clearer sense of purpose”. We can never lose sight of why we are here, who we represent and the fact that our profession is built on trust.

In recent times, trust in institutions in Australia has sharply declined and as a profession, we must take ownership and live up to the high standards expected of trusted advisers.

Our role as stewards has never been more important. With trust at an all-time low across many professions and in many countries, we need to lift the bar and earn the respect that is awarded to us.

Trust is maintained through knowledge; which has become a commodity with its value determined by how current it is.

We encourage our members to make an ongoing investment in their knowledge; it is important for their own competitive advantage; and for the broader community.

The profession continues to change and members must adapt to that change including embracing ongoing technological advancements.

A key reason for the IPA to change its professional program to a Master of Business Administration was to help members stay ahead of the game. We see this program as a pivotal way to advance member recognition today to meet the challenges of tomorrow.

At our National Congress in November, we announced our new partnership with Qantas Business Rewards.

This is a very exciting development and one which I hope our members will take full advantage of.

Qantas Business Rewards members can earn Qantas Points on over 50 everyday expenses including flights, fuel, insurance, credit card spend and more. As an IPA member with an ABN, you can sign up to Qantas Business Rewards for free (saving \$89.50) and earn 1 Qantas Point for your business with every \$1 spent on major CPD events, automatic membership renewals and IPA Program Stages 1 and 2.

Points will also be gained for money spent on major events such as National Congress so keep this in mind for our premier event to be held in Sydney this year. Congress will run from 31 October to 2 November and I would encourage all members to attend as this year’s event coincides with the World Congress of Accountants, also in Sydney from 5 to 8 November.

Whether it be our National Congress or one of the state congresses or symposiums, these events provide you with the opportunity to increase the currency of your knowledge and skills to better provide quality service to your clients and employers.

Andrew Conway FIPA FFA



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come in the form of non-compliance with government or regulatory bodies – which can lead to penalties, or in other forms such as potential litigation from disgruntled clients or beneficiaries.

In order to ensure you and your clients are protected against such legal risks, it is important that the business structure documentation you utilise is reviewed and prepared by an actually qualified lawyer with experience in this area.

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## IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as association trust, mental health, and ATO portals



### New portal for tax and BAS agents

“They will be happy to use the new services as long as stability is assured, that will keep a lot of the profession happy. Stability is not a lot to ask.”

- Tony Greco, Accountants Daily

### Event-based reporting

“The SMSF industry can breathe a sigh of relief that the reporting will not impact the majority of funds in pension mode. Trustees can also rejoice as unnecessary reporting will not add to administrative burdens eating into their retirement balances.”

- Andrew Conway, Accountants Daily

### ATO on TBAR

“The \$1 million threshold represents an appropriate risk-based approach for the ATO to monitor breaches of the \$1.6 million transfer cap and is targeted to only impact likely offenders rather than the entire pension balance population,” said Mr [Andrew] Conway.

- Business Acumen

### Strength in numbers

“When you get a submission from a group of bodies saying the same thing, it’s far more powerful than disparate voices,” Mr [Andrew] Conway said at the IPA’s national congress on the Gold Coast.

- Accountants Daily

### Mental health of small business

“As we travelled around the country on our small business roadshow, the most profound finding was that of the declining rates of mental health among small business owners,” said Mr [Andrew] Conway.

- MyBusiness

### Union of accounting bodies

At the same time [Andrew] Conway pointed a finger directly at the government, claiming Australia was facing “a crisis of leadership where national interest makes way for self-preservation and governance interest”.

- Money Management

### Accountants of the future

“A failure to act on genuine taxation reform is a failure of the present generation to build a stronger future for generations to come.”

- Andrew Conway, Money Management

### Opening up mental health conversations

“Accountants play a pivotal role. By recognising the environmental factors affecting their small business clients, accountants can assist by alleviating certain pressures that may be impacting their lives.”

- Andrew Conway, Public Accountant Hub

### Restoring trust

“So our challenge is what do we need to do to try and rebuild, retake the ground, and actually make sure we’re on a solid footing from a policy point of view to project the very positive things the profession is doing.”

- Andrew Conway, Selfmanagedsuper Magazine

### Demonstrating leadership

“In our view as a profession collectively, and professional bodies included, we need to step up and we need to speak up because there are things taking place in our profession and in our sphere of influence that have been lost in terms of the focus of the profession in the last 12 to 18 months.”

- Andrew Conway, Selfmanagedsuper Magazine

### Foreign suppliers liable for GST

“It’s like asking a non-resident to pay tax once they’ve they have left the country. It’s always going to be a difficult exercise of getting someone outside Australia to comply with our laws.”

- Tony Greco, Accountants Daily

### New portal release

The IPA’s general manager — technical policy Tony Greco said he’d prefer ongoing development to replacing the current “dinosaur” with services that aren’t 100 per cent ready to go and fit for purpose. “Get it right ATO, and make sure it doesn’t set people backwards,” said Mr Greco.

- Accountants Daily and The Bookkeeper



## WA STATE CONGRESS 22-23 MARCH 2018

The 2018 WA State Congress is returning to The Vines Resort & Country Club in Swan Valley to provide delegates with a high calibre educational program, great networking opportunities and up to 18 CPD points.

This two day congress offers interactive, informative and comprehensive updates presented by industry leaders, while also allowing delegates to engage with their professional peers.

For more information or to register, please visit [PUBLICACCOUNTANTS.ORG.AU/WACONGRESS2018](http://PUBLICACCOUNTANTS.ORG.AU/WACONGRESS2018) OR CALL 08 9368 7600.



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# Celebrating success: members and practices of the year

The IPA is pleased to congratulate and profile the 2017 members and practices of the year, announced at National Congress on the Gold Coast

## New South Wales

### Practice: The Tax Factor

The Tax Factor, in a short period of time, has established itself to be one of the most reputable brands in providing extensive services — predominantly in tax, accounting and business advisory services — in the Western Sydney region. The Tax Factor is the result of the sincere and honest efforts of Bachir Zreika, a full fellow member of the IPA and his dynamic team.

With the ever-growing demand for quality and professional services, the firm has recently opened a corporate office in the heart of the Parramatta CBD, introducing CFO and financial services as part of its one-stop shop solution.

Mr Zreika is a strong believer in an inclusive and sustainable growth, by a) innovation, which creates more efficiencies and quality (eg Tax Factor App, cloud accounting, CRM); and, b) fostering and building relationships with his long-standing clients, the community, local councils and team members.

### Members (dual winners): Meylia Wylie and David Giacobbe

Meylia Wylie holds two bachelor degrees, one in computer science and one in accounting from two universities. Her fascination with accounting landed her first job as an auditor in KPMG and from there she continued her career as an accountant in commercial businesses.

Ms Wylie carried out further study at UNSW, completing a masters degree in international business, while she was also focused on building her own firm in public practice

accounting, which is now in its 18th year. She is also passionate about teaching, and was a lecturer at Curtin University in Sydney for six years.

Currently, Ms Wylie is an active board member of Alphacrucis College. Sharing financial knowledge with her clients and helping them to manage their finances smartly and wisely is when she is most in her element.

David Giacobbe FIPA is a senior accountant at F.G. Fintax Pty Ltd. He has been working in accounting and taxation for over a decade, expanding his family-based firm F.G. Fintax

Pty Ltd. During this time, Mr Giacobbe has specialised in providing clients with a high quality of individualised service.

His main area of expertise is identifying opportunities for his clients to facilitate simple and effective solutions to help run their businesses and structure their affairs. Mr Giacobbe has benefited from the seminars and training offered by the IPA, which provide him with new insights on ways to assist his clients. He is also an active member of the community, contributing to the local newspaper and sponsoring community events.



L-R Back: Dr Michael Schaper, Andrew Conway, Ivan Robinson, Jamie Johns, Linda Barnard (board director)  
Front L-R: Damien Moore, Wendy Leagel (immediate past president) and Mitchell Moroney



L-R: Jamie Johns, Damien Moore, Andrew Conway and Mitchell Moroney

## Western Australia

### Practice: Moroney & Associates

Moroney & Associates is a company full of drive. The company is led by Mitchell Moroney, who commenced his accounting career at the age of 18 and completed his Masters of Commerce by the time he was 20 years old. He then became a full member of the IPA and started his practice at the age of 22. Twelve months later, he acquired another business, Mandurah Accountants, and has been running both firms ever since. Mr Moroney was an integral part of establishing the Southern Districts Discussion Group and is a keen advocate of the IPA, attending career and student fairs to promote the IPA to prospective student members. Moroney & Associates is also a key contributor to the community, collecting and donating food to the local soup kitchen to feed the homeless and in 2016, Mr Moroney raised \$13,000 for the Make-A-Wish Foundation.

He is also heavily involved with local sporting clubs and often provides free support to assist community organisations.

### Member: Catherine Keogh

Catherine Keogh is a senior accountant with MKG Accountants in Willetton, with a long association with the IPA. She joined the IPA as a student member whilst studying her Advanced Diploma of Accounting at Challenger TAFE. She was awarded Challenger Institute of Technology, Outstanding Student Award in Finance and Commerce Studies 2006 and went on to represent the state in the Finance and Commerce Studies in the Department of Training and Workforce Development, WA Training Awards winning the Finalist WA Vocational Student of the Year 2006.

Ms Keogh went on to complete the IPA Program and graduated with a Masters of Commerce Professional Accounting (average Distinction) 2014. During this time, she started a study group in Perth with other members completing the program.

## South Australia and the Northern Territory

### Practice: MTS Accountants

MTS Accountants, located in the east of Adelaide is a thriving medium-sized practice that is looking to expand not only its offices but its business in general. The directors of MTS are two long-serving and loyal members of the IPA. Danny Caiazza FIPA has been a member for 27 years and Tony Capone FIPA a member for 26 years. They are large supporters of the IPA and its CPD activities. Both members have encouraged and supported their four staff whom have also joined as full members of the IPA. Understanding the importance of staying relevant, the MTS team are regular attendees at not only IPA sessions such as TAG but also attend and support numerous other training sessions.

### Member: Richard Allen FIPA

Richard Allen has been a member of the IPA for more than 12 years and in recent times has become actively involved with the IPA and in particular the South Australia division. Mr Allen is a major supporter of the IPA and in particular, its events such as TAG, National Congress and most importantly the South Australia/Northern Territory events. He has also played a role in the IPA's involvement with student and graduate members in addition to providing support at the state forum events. A great advocate of the IPA and its representation of accountants, Mr Allen is very proud to be a member of the IPA and is a huge asset.



L-R WA member, Ivan Robinson and Practice of the Year winner, Mitchell Moroney

## Victoria

**Practice: Bourke Group**  
Bourke Group, led by Matt Bourke, is a young firm, fundamentally passionate about delivering world-class service to clients, with a business strategy that is always informed by that mission, and hopes of a big future in the accounting profession.

Importantly, Bourke Group has actively encouraged new recruits from the firm to become IPA members to gain a greater depth of professional knowledge relevant to SMEs. The company is also pushing the envelope for the profession to become more actively engaged in advisory work by launching a successful virtual CFO practice and market-leading financial modelling and corporate advisory services, usually 'out of reach' for SMEs. These service lines did not exist two years ago and have helped the practice grow.

## Australian Capital Territory

**Practice: Benchmark Group**  
Benchmark commenced operations in 2013 with a vision to bring together a wide range of people and disciplines to inspire new thinking, solve big problems and collaborate with individuals and businesses who believed they can create change.

The group has established synergies across a wide range of disciplines — from strategy and accounting, to insurance, risk and financial planning to business and personal lending. They have developed deep levels of expertise in relevant areas and ensure that they

**Member: Jamie Johns**  
Jamie Johns is an award-winning accountant, recognised in the book, The World's Most Inspiring Accountants by UK journalist Steve Pipe in 2016. His firm, Sky Accountants, won the IPA's Victorian Practice of the Year in 2016, the Most Innovative Accountants Award in the 2015 Panalix Annual Achievements Awards and has been a finalist in the Accountants Daily Australian Accounting Awards for the past three consecutive years.

Mr Johns, an expert in cloud accounting is well known for giving back to the profession by sharing his knowledge and experience with other accountants. He presents at many IPA events and to quote him, he has said: "On average one accountant calls me each week and I am always more than happy to share what I have learnt that has given my life freedom".

work closely with their clients with a common goal to achieve business and personal success.

**Member: Natasha Janssens**  
Natasha Janssens started her company, Sovia Financial in 2013 out of Canberra where she is a qualified accountant, licensed financial planner and mortgage broker. Recognising the need for many women seeking financial advice, Ms Janssens started an online business, 'Women with Cents' in January 2016. This innovation has proven so successful that Women with Cents now has more than 7,000 subscribers to her blog and online courses which have seen her business grow well and truly beyond Canberra.

## Queensland

**Practice: Simmons Livingstone & Associates**  
Based on the northern end of the Gold Coast, Kris Simmons and Simon Livingstone, first met whilst working at PKF. They established Simmons Livingstone & Associates in 2013, since then the firm has won numerous awards including the Gold Coast Young Entrepreneur of the Year 2017. The firm's finance division has also won its fair share of awards in a short period.

The firm and its 17 staff offer a one-stop shop approach to its clients. They live to the adage of: "We don't have a target market. We cast a big net, but we have something that adds value for every client." Both founding partners aren't

afraid to invest in advertising and sponsorship to grow the firm, which has a very strong retention rate with its existing clients.

**Member: Laura Robertson**  
If you think you're busy, spare a thought for Laura Robertson. She completed her accounting degree through Griffith University whilst working, and starting her family at the same time. Ms Robertson has her own practice which specialises in SMSF audits but also works at another firm part-time.

Ms Robertson juggles her two children, her own practice, and part-time work, and is also completing her master's through UNE. It is fair to say that she epitomises the time-management skills of a modern accountant – motherhood, sole practitioner, employee and student.



L-R Member of the Year, Jamie Johns and Practice of the Year (Moroney & Associates), Mitchell Moroney

## Tasmania

**Practice: ATR Accountants**  
This practice was originally founded by John Lawrence as a sole practitioner in 1984 and became a two-partner practice with IPA member, Andrew Radford. When Mr Lawrence retired in 2013, Cameron Taylor joined Mr Radford in the partnership. The practice is leading edge with 90 per cent of their internal technology being cloud-based. They provide a broad range of services from real-time accounting, virtual CFO, succession and estate planning, business advisory and tax compliance including DIY superannuation. They express their 'why' factor as: "We believe all businesses should have the opportunity to succeed".

**Member: Denis Laing**  
Denis Laing is a self-employed PPC holder

who has been a member of IPA since 1990. His active involvement started almost instantly, becoming a member of the Tasmania divisional council where he has held deputy president roles and is now currently state president. He is also the current chair of IPA's national divisional council/nominations/board appointments committee, having served as deputy chair for the past four years.

Mr Laing has numerous philanthropic pursuits, including fellow status as a donor/sponsor of Masonic Centenary Medical Research Foundation, a seed funder of Utas/Menzies Research, Rotary, RFDS, MSF, Freemasons Homes Tasmania, and Rural Alive & Well Inc. He is a proactive attendee at various IPA functions and forums, representing the interests of Tasmania members and is well respected within the profession, community and the ATO.

## Australia-wide

The IPA would also like to congratulate 2017's national winners:

**Practice: Moroney & Associates**

**Member: Jamie Johns**



L-R Jamie Johns (member of the year), Damien Moore (IPA President), Andrew Conway (IPA CEO), Mitchell Moroney (Practice of the Year)

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## Professional Standards Scheme goes live for IPA PPC holders

The IPA is pleased to deliver some good news about your liability cover

The IPA is pleased to announce that all Australian states and territories, with the exception of Queensland, now have a Professional Standards Scheme in place.

Queensland will come on board in due course but was delayed due to the Queensland state election late last year.

A Professional Standards Scheme is a legal instrument that limits the civil liability of IPA PPC holders who participate in the scheme. The scheme caps the amount of damages a court can award to a client if they succeed in certain claims against an IPA PPC holder. The IPA scheme cap is \$1 million.

To be permitted to operate under a Professional Standards Scheme is a privilege as it identifies the IPA and IPA PPC holders as recognised professionals. To remain in the scheme, the IPA must demonstrate to the Professional Standards Councils that the IPA adequately monitors, enforces, regulates and improves the professional standards of IPA PPC holders.

## A Professional Standards Scheme is a legal instrument that limits the civil liability of IPA PPC holders who participate in the scheme. The scheme caps the amount of damages a court can award to a client if they succeed in certain claims against an IPA PPC holder

This places compliance obligations on IPA PPC holders which are as follows:

1. Ensure your Professional Indemnity (PI) cover is a minimum of \$1 million for each reinstatement. Please advise your insurer you are part of the IPA Professional Standards Scheme;
2. Ensure PI cover is cost exclusive, meaning defence costs are paid in addition to the \$1 million policy maximum;
3. Complete the annual declaration survey. The IPA will send this to you in February each year;

4. Add the following disclosure statement in a minimum of Times New Roman 8 pt font to communication materials such as (but not limited to) letterhead, facsimile transmission covers, newsletters, website and email footers:  
*Liability limited by a scheme approved under Professional Standards Legislation.*

5. For joint CPA Australia members, we request you use the following disclosure statement:  
*Liability limited by a scheme approved under Professional Standards Legislation.*

*The relevant scheme is that of the Institute of Public Accountants, which presently has a Professional Standards Scheme in force.*

6. You do not have to include a disclosure statement on advertisements, business cards or social media.

Please see: [www.psc.gov.au/advice-for-scheme-associations/disclosing-your-liability](http://www.psc.gov.au/advice-for-scheme-associations/disclosing-your-liability) for your disclosure requirements.

For more information on the IPA PSC Scheme please visit [www.publicaccountants.org.au/membership/ppc/psc-scheme](http://www.publicaccountants.org.au/membership/ppc/psc-scheme) or call your divisional office. ☎



**Tim Stewart,**  
editor, Investor Daily,  
Momentum Media

## Responsible investing: It's time for the industry to listen

Australians – particularly Millennials – are increasingly expecting their money to be invested responsibly, so what is stopping the industry from taking action?

• • •

by Tim Stewart

Late last year saw the release of new research that found 92 per cent of Australians expect their superannuation and other investments to be invested responsibly and ethically.

The survey, conducted by Lonergan Research on behalf of the Responsible Investment Association Australasia, was unveiled at the 2017 RI Conference in Sydney.

It also found that 69 per cent of Australians want their fund to consider environmental, social and governance (ESG) factors about the companies they invest in – as well as maximising financial returns.

The biggest demand came from Millennial investors, of whom 75 per cent said they preferred their money to be invested responsibly.

Given that a massive transfer of wealth is set to take place over the next few decades, it would make sense to pay attention to the likely recipients' investment preferences.

The Responsible Investment survey came the day before Commonwealth Bank chairman Catherine Livingstone told shareholders that Australia's largest bank is winding down its funding of coal projects.

"Our coal funding is comparatively small and has been trending down for

some time," Ms Livingstone said at the November AGM.

All four of Australia's major banks have made public statements in recent months indicating they will not finance the Adani Carmichael project in Queensland's Galilee Basin, which would be the largest coal mine in the world.

This follows indications by the prudential regulator, APRA, that climate risk will no longer be considered as 'non-financial' in nature.

In a speech delivered on 17 February 2017, APRA executive board member Geoff Summerhayes said many climate risks are "foreseeable, material and actionable now".

In the same speech, Mr Summerhayes referenced a legal opinion by barrister Noel Hutley SC that suggested super trustees could be vulnerable to legal action if they ignore climate risk.

So, what is stopping asset owners from taking action to mitigate risks like climate change and delivering the responsible investment their members want?

Speaking at the RI Conference last year, Australian Ethical managing director Phil Vernon put it down to a series of "myths" about the fiduciary duties of superannuation trustees.

First, he pointed to the relevant legislation: section 52 of the Superannuation Industry (Supervision) Act 1993.

A key requirement contained in the act is that trustees perform their duties and exercise their power in the best interests of beneficiaries.

"That has been interpreted as best financial interests, but it doesn't mean that you need to achieve the best financial outcome in all circumstances."

Mr Vernon's message to trustees is that 'FOMO' (fear of missing out) is not a legal obligation: trustees will not necessarily be held to account for returns they could have otherwise achieved.

A second myth pertains to APRA's prudential practice guide on the same topic – SPG 530: Investment Governance.

"This actually gives funds the explicit permission to apply an ethical screen or adopt an ethical option, provided that you still meet your fund objectives," Mr Vernon said.

Of course, the fund must still tick all of APRA's other boxes when it comes to diversification, liquidity and a coherent investment strategy.

The key point, he said, is that super funds have regulatory "permission" to think about a framework through which they can apply an ethical approach to investment.

Considering that's what Australians say they want, it's time for the industry to take action and start delivering it. ☎

# 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](http://www.pubacct.org.au)

**IPA welcomes growing alternative lending landscape**

The Institute of Public Accountants has welcomed ASIC's latest survey of the marketplace lending industry for the 2016-17 financial year, which showed \$300 million in loans written to consumers and SMEs, nearly double the figure for 2015-16.

The survey also found a total of 7,768 investors and 18,746 borrowers as at 30 June 2017, more than double the figure in the previous financial year.

IPA senior tax adviser Tony Greco said the growing marketplace lending industry was a good sign for small businesses that previously struggled to get a hold of loans due to the restrictive lending practices of traditional banks.

"It's become easier if you don't have hard assets to gravitate to some of these new providers who have got a bit more flexible lending terms," Mr Greco said.

Mr Greco also said that while accountants alert clients on different options on the table, they need to ensure small business owners are aware of the various terms and conditions attached to loans.

"At the end of the day, there are conditions attached to the loan that must be met and repayment dates, and it's a case of making sure that the

business is in a sound position to adhere to the loan terms and it's just 101 basics," added Mr Greco.

**ASIC to focus on inappropriate accounting treatments**

Auditors and directors have been put to task regarding accounting treatments used in financial reports, as discrepancies continue to show in ASIC's latest review.

ASIC's review of 30 June 2017 financial reports of 220 listed and other public interest entities concluded with inquiries of 50 entities on 54 matters, seeking explanations of accounting treatments.

"The largest number of our findings continue to relate to impairment of non-financial assets and inappropriate accounting treatments," said ASIC commissioner John Price.

"Directors and auditors should continue to focus on values of assets and accounting policy choices in preparing their 31 December 2017 financial reports."

According to the corporate regulator, 20 inquiries were made regarding assets values and impairment testing, eight related to revenue recognition, and eight inquiries concerned tax accounting, including income tax.

In impairment and asset values inquiries, ASIC found issues with determining the carrying amount of cash

generating units; unsupported or unreasonable use of cash flow and assumptions; and entities failing to make necessary disclosure of sensitive analysis and key assumptions.

ASIC also looked into areas such as expense deferral, consolidation accounting, business combinations, and estimates and accounting policy judgements.

**40% of government agencies failing to meet 20-day payment terms**

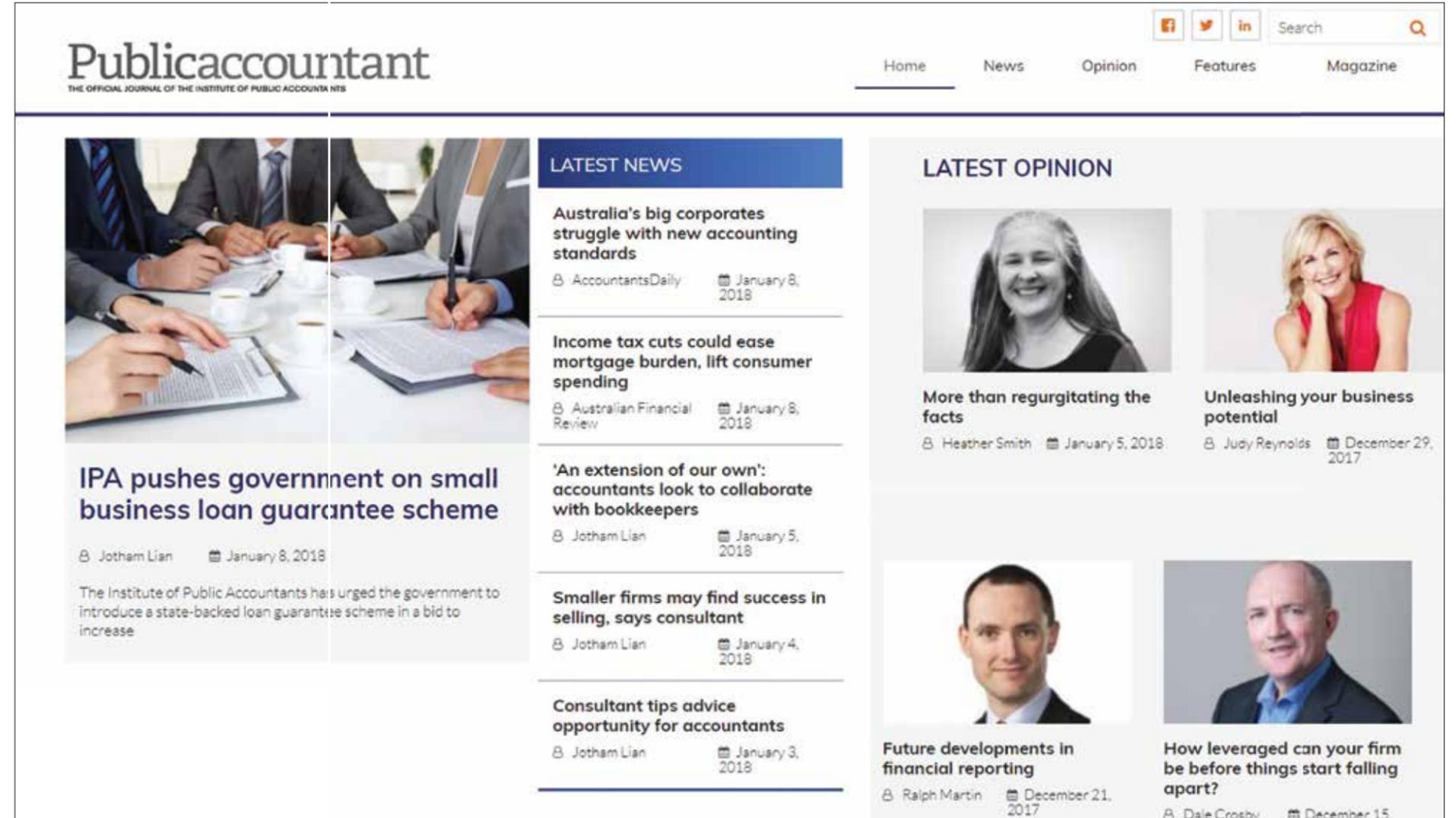
Around four in 10 government agencies would fall short of the government's recently introduced 20-day payments terms for small businesses, according to a new survey.

The Pay On-Time Survey for the 2016-17 financial year showed that out of 567,131 invoices surveyed, 42 per cent were paid after the 20-day mark.

However, 96 per cent of all invoices were paid within 30 days; with the total amount of interest paid on late invoices by government agencies that responded at \$317,702.50.

Minister for Small Business Michael McCormack said the results were positive and a great outcome for the 6,800 small businesses that have contracts with the Australian government.

"I am thrilled almost 60 per cent of invoices up to \$1 million are being paid within 20



days, smashing the required payment terms by around a third," Mr McCormack said.

"Having owned and operated my own small business I know how important it is to be paid on time - cash flow is king."

The Institute of Public Accountants senior tax adviser Tony Greco had earlier said he hoped the newly enforced shorter payment times would translate over to the commercial world, a notion Mr McCormack was confident of delivering.

"Our new payment terms will set an example to industry and for other levels of government to follow our lead and establish a culture where small business should not be used as a bank," Mr McCormack said.

**ASBAS to allocate \$18m to get small business online**

Over \$18 million in grants have been allocated to small businesses as part of the government's redesigned Australian Small

Business Advisory Service (ASBAS) program.

According to Minister for Small Business Michael McCormack, the ASBAS program will allocate \$18.02 million in grants over three years to deliver low cost, high quality, digital advisory services to Australian small businesses in metropolitan and regional areas.

"Australian small businesses are looking for opportunities to grow their domestic and international customer base, but are often confronted by

hesitation or doubt when it comes to getting online," Mr McCormack said.

"The ASBAS program has been overhauled to focus on helping small businesses to get online and reach out to new markets for their goods and services.

"By having digital skills and access to expert advice, small businesses can take advantage of the endless opportunities the digital economy provides here in Australia as well as internationally."

The ASBAS funding round will begin from 2 July 2018 to 30 June 2021, with \$6.09 million allocated for NSW and the ACT; \$5.68 million for Queensland, the Northern Territory and Western Australia; and \$6.25 million for South Australia, Victoria and Tasmania.

Small businesses will have to qualify under the eligibility criteria before being selected through a competitive merit test. Applications open from 23 January 2018 and close on 6 March 2018.



## Member snapshot: In memoriam Vita Gustafson

Public Accountant wishes to honour the memory of a much-admired and valued IPA member Vita Gustafson, who took part in this profile before she passed away late last year. She was a pleasure to work with, and we are pleased to showcase her passion for her work and profession in her own words

### Tell us a bit more about yourself and your background

I was born in Denmark in Scandinavia and immigrated to Australia with my parents and three siblings in the late '50s.

English was not taught in the schools back then, so our first task on arrival was to learn the language.

I got married in 1960 and my husband and I turned our hand to various things including commercial crocodile shooting. We worked and lived in Aboriginal Communities in Arnhem Land for three years, which of course forms part of the world-renowned Kakadu National Park.

### How did your journey in accounting begin?

We moved from Arnhem Land back to Darwin in 1965 and after a few months started a tourist resort on the other side of Darwin Harbour, which was not accessible by road.

Mica Beach proved to be very popular as customers loved the novelty of arriving and leaving by boat. It soon became obvious that I needed to learn how to account for the takings and purchases of stock and payment of wages etc.

In 1968/69 I enrolled in an adult class in bookkeeping which gave me

the inspiration to look further into accounting. Darwin University opened up in 1974 and I enrolled in accounting. However, Cyclone Tracy arrived on 24 December 1974 and destroyed Darwin, including Mica Beach. It took some time for the university to reopen, but when it did I continued my studies.

### What led you to the IPA?

I applied for membership with the institute which was then known as the Institute of Affiliated Accountants in February 1981. I have accompanied IPA through their journey with National Institute of Accountants (NIA) and now Institute of Public Accountants (IPA). After working for a big four practice and rejecting the notion that females should be paid less for doing the same work, I started my own practice in 1985. The IPA was a huge support to help me transition, and helped give me confidence and professional "credibility" with my clients. Working on my own, I felt it was very important keep my knowledge current, so I have always been a big fan of professional development. IPA always has and continues to offer premium support in this area.



### What drew you to your field of speciality?

I have always liked accounting and especially the income tax side. We have built the practice up from just myself to a team of 14 today, including three partners. Our passion for seeing our clients succeed in their business is very gratifying and our whole team shares the same view.

### What are your plans for the future of your firm?

I would like to see that my partners and all the other staff can carry on the practice after my time, with the same passion and ethics as we have now.

### Any advice for emerging accountants?

If anyone is considering starting their own practice, I advise that it is not all a "dance on red rose petals"! It takes years to gain client trust, however the personal and professional rewards are more than worth it. Our practice has mostly grown through word of mouth. That is the most rewarding and best advertising one can get. Don't forget that every client is "the most" important, be it a salary and wages person or a large company, because history has taught me that big can become small and small can become big. Our firm's motto is: "We don't work for our clients, we work with them!" 📧

### A tribute from the IPA

On behalf of the board, management and all members, we convey our deepest sympathies to Vita's family and colleagues. We had the immense pleasure of getting to know Vita very well. Vita would light up any room with her zeal and passion for those around her and her work. Her devotion to her practice and her team was exemplary and will be a tremendous legacy. Vita was a pioneer and an

inspiration to many which is why she was awarded the National Practice of the Year award in 2016. Vita was such a strong supporter of the Institute and she will be deeply missed. Our thoughts and prayers are with Vita's children, grandchildren and great-grandchildren as well as her colleagues, Cheryl, Thanh and all of the team at VGA.

May she rest in peace.

Andrew Conway,  
chief executive officer, IPA

## Leadership in the age of distrust

Australia's biggest consulting firms are telling big business it's time to get real or risk your clients walking — a sizable shift that works in favour of the accounting profession

by Katarina Taurian



**Katarina Taurian,**  
managing editor,  
Momentum Media

When big business starts pouring money into new communications strategies, you can be sure of a sizable shift in the market.

At an otherwise business-as-usual round table at KPMG's new Sydney headquarters late last year, chair Alison Kitchen threw out a showstopper which confirmed that public distrust is a palpable threat to long-standing institutions, like banks. For 2018 and beyond, KPMG is advising its biggest clients to get real in their communications,

against a backdrop of mounting popular scepticism towards stage-managed messages.

This is no small shift, considering the veils of diplomacy, PR and marketing which have shielded Australia's largest institutions for decades, and particularly since the age of the internet.

In a report exploring what is keeping Australian executives awake at night, public distrust came in at number six. KPMG argues public distrust is now at crisis levels.

"For business, we need to ensure consumers feel they are genuinely being heard. They must feel that their needs are being taken into account and that they are dealing in a transparent world of integrity, instead of spin," KPMG's report said.

"This necessary cultural realignment is a huge challenge, not just for 2018, but also for the years ahead," the report said.

In the otherwise unsettling assessment from KPMG comes an opportunity for accounting professionals.

The report found that employees and those in client-facing roles have more credibility amongst the general population than C-level executives. Combine this with a building distrust of anything touched by the hands of a marketer or politician, and accountants are in the driver's seat to occupy a position of leadership.

Accountants have long held the mantle of the trusted adviser, so much so that the profession is often criticised for forgoing marketing and business opportunities to prioritise their clients' affairs. This isn't just an insular view either, sentiment surveys and 'trustability' scales nearly always have accountants following doctors, nurses and emergency services workers. According to Roy Morgan Research, which asks Australian consumers to rate the ethics of various professions, accountants have been number one amongst finance-related workers since 1991.

We have hard evidence now that your clients, and potential

new clients, are looking for new leaders. They are looking for honesty, ethics, and real results. Accountants have all these qualities, but what lacks is activism. For most accountants, having a voice that extends beyond clients and referral relationships is — understandably — not a priority.

At the 2017 National Congress, I spoke on a panel with the IPA's chief executive Andrew Conway on this very issue. He said a few things throughout the congress that resonated with delegates.

"We are at the point of electing governments who are promising not to do things, we are swallowing that. The profession needs to step up and say enough is enough," he said.

"With all due respect to government departments, they don't live in the world you live in. We've got to do it together as a profession, and get public interest ahead of political interest. A failure to act on this will be a blight on future generations," he said.

KPMG believes that governments should be looking to industry stakeholders to rebuild trust in politicians. In its report, the firm said dialogue between government and voters needs to be significantly more "two-way" to get a handle on the issues genuinely affecting their lives. You'll be hard-pressed to find a professional and a support system more crucial to a massive constituent of voters — small business — than an accountant.

In the ever-busy day of an accountant, focusing on anything outside of your clients' deadlines is a big ask. But more and more, leadership and activism are becoming the expectations of those clients. In 2018 and beyond, to have a voice is not indulgent — it's serving the clients who trust you the most. 🗣️



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## The latest on the IPA's advocacy work

The IPA has made several submissions to government in recent weeks, with its submission on the federal budget being one of the most notable.

The Treasury decided to bring forward the deadline for pre-budget submissions for the 2018/19 financial year. The IPA lodged its submission in December, pre-empting various recommendations that are going to be made in the second edition of the Australian Small Business White Paper, which is expected to be released in the first half of 2018. Below is an excerpt from the introduction to the IPA's pre-budget submission. The full submission can be found on the IPA website.

The IPA takes an active role in the promotion of policies to assist the small business and SME sectors, reflecting the fact that approximately three-quarters of our members work in these sectors or are trusted advisers to small business and SMEs. The IPA pursues fundamental reforms which will result in boosting productivity and in easing the disproportionate regulatory compliance burden placed on small business.

The IPA is very strongly of the view that immediate and tangible incentives must be offered to entrepreneurs and innovators

to encourage their entry into, and long-term engagement with, the Australian small business sector. The federal government should implement policies that will drive business activity and entrepreneurialism across all industry sectors. A strong and vibrant small business sector can play an active role in contributing to the economic growth of the Australian economy and help in addressing some of the challenges ahead.

In August 2015, the IPA Deakin University SME Research Centre launched the first Australian Small Business White Paper which contained numerous recommendations to boost small business productivity which is essential to maintaining Australia's overall standard of living. Whilst we continue to advocate for the recommendations which have not yet been adopted by the government, the research centre has commenced work on the next evolution of the white paper. It is expected to be released in the first half of 2018.

As with the first white paper, we undertook a national roadshow of urban and regional centres to gain insights and feedback

from small business people; and conducted a survey using various distribution channels (including IPA members) to reach as many small business people as possible. Again, we held a small business summit at Parliament House in September 2017 which was attended by the Minister for Small Business, Michael McCormack, representatives from the office of the opposition spokeswoman on small business, Senator Katy Gallagher, the Treasury, Department of Industry, Innovation and Science, Australian Competition and Consumer Commission, ATO, Australian Small Business and Family Enterprise Ombudsman (ASBFEO), Deakin University, Reckon, industry and the private sector.

In addition to building on the initial recommendations from the first white paper, we have

included research, analysis and recommendations in the second white paper on:

- Productivity of small business – the white paper examines the technical efficiency of the Australian business sector.
- Job creation and job destruction – based on various factors of Australian-employing SMEs over an extended period of time.
- Taxation of SMEs – including their overall contribution to tax collection and how to optimise the tax system.
- Competition policy – following on from the Harper Review, including access to justice.
- Access to finance – including financing principles and alternative sources of finance.
- Internationalisation and free trade – benefits for the small business sector in a changing and challenging environment.

- Family firms – and their contribution to the economy.
- Regulatory overload – and recommendations to address this.

A copy of the first white paper can be found on the IPA website, [www.publicaccountants.org/whitepaper](http://www.publicaccountants.org/whitepaper)

Last year we applauded the government on major reforms which had been the subject of the first Australian Small Business White Paper and which continue to be considered or implemented. The recent reforms to competition policy, innovation, crowdfunding, superannuation and tax rates for small business, are all welcome and the IPA has been vocal in its praise for these various reforms and measures. However, implementation, monitoring and evaluation are all

critical to the ongoing success of these reforms and the IPA is intent on ensuring that these processes are undertaken with any necessary amendments being made in the future. Two major reforms for the benefit of small business include the unfair contract terms legislation and the proposed changes to government payment times. Whilst the IPA was extensively involved with these proposals, we believe that the real work is in ensuring their successful application for the benefit of small businesses across the country. We are also disappointed that the government did not go further with the recommendations of the ASBFEO payment times inquiry, especially in legislating maximum payment times.

We emphasise that major reform cannot always be achieved in a short time frame and we urge the

government to take a longer-term view based on a clear and determined path for the Australian economy and Australian society.

In particular, the IPA is especially keen to ensure that bold tax reform becomes a priority for the government and the IPA will continue to voice its disappointment with the stalled tax reform process. In addition, the IPA urges the government to continue its effort on innovation policy despite early setbacks with communicating the benefits. The next Australian Small Business White Paper will have more recommendations on innovation policy which can be applied to increase productivity and with flow-on benefits for the whole economy.

The IPA believes the time has come for all Australians to stand up and put the public interest ahead

of political and self-interest. The public interest will be central to the policy development and advocacy effort of the IPA well into the future.

Recommendations to the government are aimed at boosting small business productivity and cover tax reform, loan guarantee schemes, venture capital fund, innovation policy and payment times.

### ASIC fees-for-service

IPA made a submission to Treasury on the consultation paper on the introduction of ASIC's fees-for-service under the industry funding model. Whilst we appreciate the funding constraints faced by ASIC and other government agencies, we strongly believe that some of the proposed increased fees are unacceptable. Below is an excerpt relating to the proposed increase of SMSF auditor registration fee from \$107 to \$3,429.

The proposed increase in registration fees for SMSF auditors under the proposed fees-for-service funding model appears excessive given the amount of money the SMSF sector pays to the ATO via its supervisory levy.

Each year, the ATO collects \$259 from each SMSF to finance the SMSF monitoring role the ATO performs on behalf of the government and ASIC. Based on approximately 550,000 SMSFs that amounts to \$142.5 million each year being collected from SMSF trustees, to monitor SMSFs.

Over a period of eight years to the 2013/14 year, the SMSF ATO supervisory levy has increased from \$45 to \$259, a 575 per cent increase in the annual cost of funding the compliance role of the ATO.

For the 2006/07 year, the annual ATO SMSF levy was \$45, but trebled to \$150 from the 2007/08 year, to finance improvements in SMSF regulation.

In the 2011 federal budget, the ALP government announced



that the ATO SMSF levy was increasing from \$150 to \$180, effective from the 2010/11 SMSF tax return, to help cover the costs of new measures. At the time, the Assistant Treasurer and Minister of Superannuation, Bill Shorten stated these measures included: "The introduction of a new administrative penalty framework, registration of fund auditors subject to competency and independence standards, improved data collection and improvements to the self-managed superannuation fund registration process" [Assistant Treasurer media release, 10 May 2011]

For the 2011/12 year, the ATO supervisory levy for SMSFs was increased from \$180 to \$200.

So, the earlier increase in the ATO levy (from \$150 to \$180) was to help fund the SMSF auditor registration process, and now the

2011/12 increase (from \$180 to \$200) was also supposed to fund the registration process. Later increases have now taken the ATO levy to \$259 a year.

The timeline of increases is set out below:

- Until the 2007/08 year, the ATO levy was \$45
- From 2007/08 year, the levy trebled to \$150
- From 2010/11 year, the levy jumped to \$180
- For the 2011/12 year, the levy increased to \$200
- For the 2012/13 year only, the levy drops to \$191, but must pre-pay 50 per cent of 2013/14 levy (\$130), taking the total to a whopping \$321 for the year
- From the 2013/14 year, the ATO levy increased to \$259, but must pre-pay 100 per cent of

the 2014/15 levy (\$259), taking the total to \$388 for the year

- For the 2014/15, 2015/16 and 2016/17 years, the ATO levy remains at \$259 but must be paid a year in advance.

The ATO levy increase imposed during the 2011/12 year (extra \$20), was going to be divided between ASIC and the ATO. The government provided ASIC with \$10.7 million, over five years, to develop and maintain an online registration system for auditors of SMSFs. ASIC also developed a competency exam for SMSF auditors, and ASIC is able to deregister non-compliant auditors. The government gave the ATO \$10.6 million, over five years, to police registered auditors, to check their compliance with competency standards set by ASIC and, if necessary, refer

non-compliant auditors to ASIC for punishment.

Some of the funding for the SMSF auditor registration process was also sourced by ASIC charging auditors to sit the SMSF auditor competency exam.

Given the history outlined above around the ATO supervisory levy, it appears that the SMSF sector already contributes significantly to fund monitoring of SMSFs.

The fee increase under the proposed fees for service funding model must take into account the money already collected via the ATO supervisory fee.

The proposed fee increase from \$107 to \$3,429 will have a detrimental impact on the number of SMSF auditors providing this specialised service to the SMSF sector. Detailed below are the existing ongoing requirements imposed on SMSF auditors.

To conduct SMSF audits, you must:

- be registered with ASIC as an approved SMSF auditor
  - have a valid SMSF auditor number (SAN), and
  - meet ongoing obligations as prescribed by the Supervision Industry (Supervision) Act 1993 (SISA) and the Superannuation Industry (Supervision) Regulations 1994 (SISR), and Conduct the following on an ongoing basis:
    - keep your auditor details up to date with ASIC
    - complete and lodge your annual statement to ASIC
    - pay the annual statement fee to ASIC.
- Under the SISA, you must comply with:
- the auditor independence requirements set out in the Code of Ethics for Professional Accountants (APES 110) made by the Accounting Professional & Ethical Standards Board Limited (APESB)
  - the applicable auditing standards issued by the

- Auditing and Assurance Standards Board (AUASB), which include the relevant Australian Auditing Standards (ASAs) and the Standards on Assurance Engagements (SAEs) and the SMSF auditor competency standards issued by ASIC in Class Order [CO 12/1687] Competency standards for approved SMSF auditors
- the reporting requirements, including for auditor contravention reporting
- the prescribed ongoing professional development requirements
- the requirement to hold prescribed professional indemnity insurance
- any conditions imposed on your registration by ASIC.

There are numerous experienced accountants who provide these services on a part-time basis

who will reconsider providing such services if the proposed fee increases proceed. With over 550,000 SMSFs in existence, this may cause some disruption in the market place for trustees seeking independent SMSF auditors.

As detailed there are already significant imposts on auditors to maintain their professional and ethical standards. In addition, SMSF auditors, who are members of a professional accounting body are already

subject to quality assurance as part of their ongoing membership requirements. The IPA has previously proposed a co-regulatory model which we are reiterating in the context of this consultation. ●

“The IPA is very strongly of the view that immediate and tangible incentives must be offered to entrepreneurs and innovators to encourage their entry into, and long-term engagement with, the Australian small business sector. The federal government should implement policies that will drive business activity and entrepreneurialism across all industry sectors”

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## The global bitcoin frenzy: Is it fool's gold?

Regardless of your point of view, the rise in the price of bitcoin over the last eight years is almost certainly the most exciting story to emanate from the world of finance post-GFC



**Jordan Eliseo,**  
chief economist,  
ABC Bullion



Developed anonymously, decentralised, limited in supply and elegantly marketed as 'digital gold', bitcoin has taken the world by storm, rising to over US\$15,000 per coin by December 2017, giving the world's most famous cryptocurrency a market capitalisation of over US\$250 billion.

Investors in bitcoin and other cryptocurrencies have generated incredible, potentially life-changing profits over this time, and, to date, appear happy to

ignore the warnings of those who fear this a modern-day re-run of Tulip Mania.

### Have you missed the boat?

Developments overseas, including the recent launch of futures contracts, would suggest that bitcoin is gaining 'legitimacy' as a financial asset, though there are two important points to make here.

The first is that whilst these futures contracts will facilitate investment in bitcoin by a larger community of buyers, it reinforces the point that bitcoin is still primarily being used for speculation alone, rather than for actual monetary purposes. The fact that international hedge fund managers like Mike Novogratz state that "bitcoin could hit \$40,000 in 2018", rather than "bitcoin will be accepted as money by 10 per cent more merchants in 2018" helps illustrate this point.

The second point to make regarding the launch of the futures contracts is that it will also make it a lot easier for hedge funds and other

speculators to short bitcoin, which could add significant downside pressure to the price.

Note this doesn't mean every investor should steer clear of bitcoin, or other cryptocurrencies. Whilst it's not for me personally (especially after a price move of the magnitude we've seen in 2017), we can understand the attraction of speculating in bitcoin, or in cryptocurrencies more generally, with a very small portion of one's net-worth.

After all, blockchain is indeed exciting technology, and there are a handful of other tailwinds that will support bitcoin in the years ahead, including the continued monetary largesse we see in the developed and developing world, which is leading investors to seek out alternative assets.

The bitcoin bull market could also continue for some time, so there remains the potential to make money in this space, even if there is an ever-present risk of a significant price correction.

These factors, combined with generally elevated financial assets (more on this coming

up), support the notion of speculating in bitcoin, though we can't stress enough that we would limit it only to money one could afford to lose without it meaningfully impacting their lifestyle.

### The crystal ball

On the surface, bitcoin has many 'money-like' qualities that help fuel the hype that we see in the marketplace today. The supply is in theory strictly limited to 21 million coins, it allows for near immediate transfers of wealth across borders, and, insofar as there is a publicly viewable ledger, offers more transparency to all users.

Attractive as these qualities sound, it is still far too early to claim that bitcoin will be the future

of money. Unlike fiat currency, it does not carry the imprimatur of any sovereign state and, despite the uptick in merchants accepting payment in bitcoin, it is not widely used as a medium of exchange, let alone as a unit of account anywhere on earth.

There are also potentially significant governance and regulatory issues, if not necessarily with bitcoin itself,

then with the exchanges that people use to trade it and other cryptocurrencies. If a major exchange goes bust, or a significant number of clients lose their bitcoin, then this could impact confidence in bitcoin as a whole.

Importantly, bitcoin has also only existed for eight years, meaning it has not even survived through one full business cycle.

Finally, whilst for now bitcoin

is limited to 21 million coins, there is no guarantee that this won't change in the future. In this sense, would-be investors should be aware that whilst the attributes of gold (to which bitcoin is often falsely compared) are governed by the laws of nature, the attributes of bitcoin are set by the consensus of people.

The former is a lot harder to change than the latter, a point that should be highly relevant for those who think the history of money can teach us anything about its future.

### Are we in bubble territory?

Type "bitcoin is a bubble" into Google, and you'll get close to 40 million results, which is a fairly clear indicator about the number of warnings that have been made about its imminent demise.

These warnings are largely falling on deaf ears for now, with major bitcoin trading exchanges like Coinbase seeing record levels of account opening and trading (in some cases more than 100,000 accounts a day).

That people are ignoring the warnings is understandable, for two reasons.

The first of those reasons is that, so far, they've all proved premature, with bitcoin prices blasting higher after every pullback, rewarding speculators who've held their nerve through every period of volatility.

The second reason is arguably more interesting, and it lies in the increasing lack of trust that everyday citizens have in

society's political, academic and financial leaders.

Indeed, to many of these people, part of the attraction of bitcoin is that, for all intents and purposes, it exists entirely outside of the financial system. They are also reluctant to heed the bubble warnings coming from the mainstream finance community as the majority of the people ringing the alarm bell on bitcoin conveniently ignore the almost certain bubbles that exist in more traditional financial markets.

After all, consider that as year 2017 came to a close:

- US equities traded at close to 32 times cyclically-adjusted earnings, their second most expensive level in history;
- Over US\$11 trillion in sovereign debt trades at negative yields;
- The Swiss National Bank had a balance sheet with a value that exceeded 100 per cent of Swiss GDP;
- Argentina (home of six series sovereign defaults in the past century alone) raised \$2.75 billion through a 100-year bond that was three times oversubscribed; and
- Salvador Mundi, a Da Vinci masterpiece, sold for \$450 million.

Finally, Veolia, a French BBB rated corporate, just issued a €500 million three-year bond at a negative yield. It was four times oversubscribed, meaning 75 per cent of would-be 'investors' that, on a yield to maturity basis, wanted to guarantee they'd lose money went home empty-handed.

The point I'm making of course is that if bitcoin is indeed a bubble, then it's likely in very good company. More importantly, bubble or not, bitcoin is not the most important risk SMSF trustees and their advisers will need to monitor as 2018 unfolds. 📌

# A BIG WIN for small business

The major banks are finally responding to the unfair contract terms legislation. Vigilance, however, is key for small businesses to benefit from the new rules

by Linda Santacruz



“It shouldn’t have taken so long, but we finally have a situation where banks will treat small business clients as partners and share some of the risk”

– Kate Carnell

It was a long time coming.

That is what Australian Small Business and Family Enterprise Ombudsman

Kate Carnell said after the major banks finally agreed to make a series of changes to their small business loan contracts.

Ms Carnell, who had led an inquiry into small business loans, called for these changes in a report published in December 2016, which followed the passing of unfair contract terms legislation earlier that year.

Among others, the report recommended that where a small business had met loan payments and acted lawfully, the bank must not default a loan for any reason. In August 2017, the big four banks agreed to implement this rule as well as eliminate other unfair terms in their contracts.

And while there is more work to be done in terms of creating a fair environment for small business borrowers, these moves are a step in the right direction, Ms Carnell says.

“It’s great news for small business operators that ASIC worked with the banks to introduce these changes, which will be backdated to November 2016 for new loans and renewals,” she says.

“It shouldn’t have taken so long, but we finally have a situation where banks will treat small business clients as partners and share some of the risk. Previously, the contractual relationship was one-sided and unfair.”



The news is also positive for accountants who look after small business enterprises.

Jessica Kinny, principal of Sydney-based boutique commercial law firm Kinny Legal, says the changes mean small businesses will now be in a better position to understand their legal obligations and plan their business activities.

However, she does urge accountants and SMEs to remain vigilant, as there are some exceptions to the new rules and not all lenders operate alike.

“The recent changes are an improvement,” she says. “But for SMEs, the best is yet to come.”

### The changes

According to ASIC, the big four banks have agreed to make four main changes.

The first one revolves around bank responsibility. It states that loan documents cannot contain “entire agreement clauses” that pardon the bank from responsibility for conduct, statements or representations they make to borrowers outside the written contract.

The second change significantly limits the banks’ indemnification clauses, which means the banks will not be able to require their small business customers to cover losses, costs and expenses incurred due to the fraud, negligence or wilful misconduct of the bank, its employees or a receiver appointed by the bank.

The third change is intended to protect SMEs from surprise defaults by stripping the banks from their powers to be able to terminate a loan for any negative change in the circumstances of the small business borrower.

Finally, the banks are now restricted in their ability to alter contracts in specific circumstances. And if such a variation would cause a customer to want to exit the contract, the banks will allow 30 to 90 days for the customer to



### The big four’s big four changes

The big four have agreed to the following:

1. **Bank responsibility** – removal of clauses to pardon banks’ conduct outside of contracts
2. **Limits of banks’ indemnification clauses** – small businesses cannot be required to cover losses due to misconduct of the bank
3. **Remove power to terminate loans** – no longer able to terminate loan for any negative change in circumstances of SME borrower
4. **Restrict ability to alter contracts** – if a customer would like to exit as a result of a variation, the bank must allow 30-90 days for them to find an alternative

“ASIC is committed to ensuring that the unfair contract terms provisions help to raise small business lending standards,” ASIC deputy chairman Peter Kell said at the time.

“Where we identify a potentially unfair term, we will work with the lender to remove or amend them, and we have already started to raise issues with lenders. If the lender refuses to do so, we will consider all regulatory options, including taking the matter to court as ultimately a court can decide whether or not a term is unfair.”

While the banks have since agreed to implement the changes, it was not without initial push back.

Back in March during a parliamentary committee, Ms Carnell said it was not “a reasonable approach” for banks to be able to default on small business loans “when people are compliant financially”.

But NAB had argued that there were risks to removing financial indicator covenants, and that doing so would put up the costs of the loans.

Ms Carnell responded: “That’s not the feedback we’ve had from experts. Remember the banks already put a premium on top of

“The recent changes are an improvement, but for SMEs, the best is yet to come”

– Jessica Kinny

find an alternative. This is what has been agreed with ASIC, but the changes do not end here.

In October 2017, NAB announced its business standard loan form contract will be re-written to include simpler clauses and language as well as a reduction in document length. Terms and conditions have also been chopped by a third.

All four banks have limited the use of financial indicator covenants to certain classes of loans, including property development and specialised lending such as margin loans.

The banks have also agreed that financial indicator covenants will not be applied to property investment loans, according to ASIC.

Ms Kinny says the improvements to notice periods for key lending milestones will allow SMEs to better plan their business and lending activities.

The changes also limit the circumstances in which banks can take enforcement action against borrowers, she says.

“This latter change includes a requirement that the borrower

has the opportunity to remedy a non-serious breach of the contract before the lender can take enforcement action in response to the breach,” Ms Kinny says.

### A move in the right direction

Before these changes, there were many issues in loan contracts for small businesses.

Depending on the lender, some SMEs were signing up for loans that were complex and non-negotiable, Ms Kinny says, and due to the insufficient notice period of key loan milestones, many businesses struggled with planning and implementing strategies.

Small businesses were also at

risk of default for matters outside of their control, she says.

In March 2017, the findings were published from a joint review of small business standard form contracts undertaken by ASIC and the ASBFEO. The review found that the banks were using terms that led to loan defaults in a very broad range of circumstances, instead of just for significant breaches.

Other terms were found that absolve the lender from responsibility for conduct, statements or representations that the lender makes to borrowers outside of the contract.

Contracts also included clauses that too broadly protected the lender against losses, costs, liabilities and expenses.

# \$5m

the recommended small business  
loan cap by the ASBFEO



small business loans to take into account a higher level of risk, so you can't have it both ways.

"You can't have a contract that allows the banks to move all the risk to the borrower, while also having a higher interest rate."

"Our recommendations in this area – indeed all of our recommendations – are not unreasonable. These are not new issues, these are not unrealistic expectations."

### Not over yet

Despite the positive changes, Ms Kinney warns accountants and SMEs that the industry has not taken a uniform approach to small business loan contracts.

"When comparing loan contracts, SMEs must be vigilant and not assume that a favourable change adopted by one lender has been adopted by any other lender," she says.

"SMEs and their accountants should also be aware that recent changes only apply to small business loan facilities up to \$3 million, rather than the \$5 million cap recommended by the ASBFEO, and only if the loan was made or renewed on or after 12 November 2016."

That \$3 million cap is now the focus for Ms Carnell, who described in a LinkedIn post recently her disappointment in the limited threshold.

"Despite repeatedly asking, we have never received a properly justified explanation of why \$5 million is such a problem, even when the banks have acknowledged the higher threshold captures a very small percentage of small business loans," she wrote.

"Many of these will be capital-intensive businesses such as manufacturers and primary producers. It's incongruous of banks to imply that ethical standards and fairness can only apply up to a certain limit when it should be standard practice.

"We'll continue talking to the government, opposition, crossbench MPs and the banks about raising the threshold to \$5 million."

In the meantime, the changes agreed to by the banks will also be enforced under a new Code of Banking Practice.

A spokesperson for the Australian Bankers' Association (ABA) said the new code "will have a greater focus on small business lending and there will be significant changes that will make a real difference to small business".

For example, banks will be required to simplify loan contracts so they're written in plain English and are easier to understand, the spokesperson says, as well as provide a longer notice period to customers about changes to loan conditions or decisions on rollover, which will help businesses with future planning.

Banks will also need to provide small businesses with at least three months to arrange alternative finance when a facility is not going to be renewed, the ABA says.

"Banks are also reducing the

## "It's incongruous of banks to imply that ethical standards and fairness can only apply up to a certain limit when it should be standard practice"

– Kate Carnell

number of non-monetary covenants that could result in enforcing a loan. Banks will no longer be able to call in a loan when a small business is acting lawfully and making their payments on time, other than in exceptional circumstances," the spokesperson says.

"The remaining covenants will be explained in plain English and summarised in loan contracts for small businesses."

As for the future of the lending landscape, Ms Kinney says while it

is impossible to predict, she does expect further changes to come.

"This time next year, lenders will be operating under the revised Code of Banking Practice and the banking royal commission will be well underway, which will most likely include investigation of any unconscionable conduct towards SMEs and strategies to improve business lending practices," she says. "We are in the middle of what could prove to be a major overhaul." 



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# The writing on the wall

A fundamental shift in the reporting regime for superannuation is just months away, and is a sign of things to come from an increasingly digital-focused ATO

by Katarina Taurian





The pieces of the gigantic puzzle that is superannuation legislation in Australia are finally starting to come together to create a clear picture, but it's unlike anything we've seen before.

The 2016 federal budget eclipsed any package of reform we've ever seen and one of its biggest bombshells was the introduction of a transfer balance cap of \$1.6 million, applicable from 1 July 2017. All account balances are included when working out this amount.

On principle, many in the profession were in agreement with the policy intent. Superannuation was never designed to transfer wealth from one generation to another, so Treasurer Scott Morrison made it clear that he wasn't going to let wealthy Australians accumulate savings in a tax concessional environment, only to pass it onto their children.

This was one of his many moves to (attempt) to make the superannuation system fit for purpose. The SMSF sector, often home to these higher balances, was particularly in the spotlight with the policy design.

In practical terms though, it was a bolt out of the blue, and accountants at the coalface knew that a legislative trigger wasn't going to be enough to solve a new, almighty question: how do we track every client's balance accurately and to deadline?

The answer from the ATO has now arrived, in the form of a new reporting regime for SMSFs. Bizarrely, there's still a degree of contention in cohorts that are usually in agreement, like the software providers who continue to query the ATO on finer technical points. But for accountants the question is pretty simple — what does this mean for my clients?

## The changes

From 1 July this year, any SMSF which has members with total superannuation account balances of \$1 million or more will be required to report events impacting members' transfer balances within 28 days after the end of the quarter in which the event occurs.

For those with less than \$1 million, it's a simpler annual event-based reporting framework.

While many are lamenting yet another change in deadlines, it's worth noting that for SMSFs, this is a concession. By comparison, APRA-regulated superannuation

funds report relevant triggers 10 business days after the end of the month they occur.

The tax office has also made it clear, in response to a landslide of questions, that nil event reporting will not be required in this new regime.

"It is important to restate that in all cases, regardless of the reporting time frame that applies, reporting is only required if an event that impacts a member's transfer balance cap actually occurs – for example, when a SMSF member first starts to receive a pension from their fund," said ATO deputy commissioner James O'Halloran.

## The drama

The immediate reaction to the ATO's announcement late last year was mixed, a sentiment which continues into 2018.

For one, the IPA is on board with the changes, labelling them a "sensible landing position." Chief executive Andrew Conway is particularly supportive of the changes not being across the board, irrespective of balance.

"The relief will provide more time for the SMSF industry to adjust to a more contemporary reporting model over time. If a fund has one member in pension

## \$1m+

SMSFs with balances over \$1 million will be required to report events within 28 days after the end of the quarter in which the event occurs

## 28

SMSFs have 28 days after the end of a quarter in which a trigger occurs to report

"Moving into pension phase is hardly a minor life event. We have listened to the feedback, and we believe this strikes a sensible and reasonable balance"

– James O'Halloran, ATO

mode with a large balance, it will, by default cause the fund to have real-time reporting in place but we believe the industry can live with this scenario compared to an all-in approach across all funds," said Mr Conway.

"The \$1 million threshold represents an appropriate risk-based approach for the ATO to monitor breaches of the \$1.6 million transfer cap and is targeted to only impact likely offenders rather than the entire pension balance population," he said.

However, others are not so sure the practical application of the new reporting regime will be as simple as the tax office would like it to be.

Executives at SuperConcepts, an administrator owned by AMP which also owns SMSF software provider SuperMate, think having a different set of rules across a single client base will ultimately increase the likelihood of error.

"Once we start carving out clients, it becomes complex and it leads to errors," said SuperConcepts' head of technical and education services, Peter Burgess, just before the final position was reached in November last year. It was clear at that stage what the final position was shaping up to be.

Mr Burgess said at the time that pushing for exceptions and concessions don't always work in the SMSF sector's favour, particularly given a post-reform

environment where compliance with the new laws isn't possible without up-to-date data.

On that basis, Mr Burgess is supportive of an option floated last year by the ATO, which starts with quarterly reporting, before then getting into monthly reporting requirements. This approach is in line with monthly reporting requirements for APRA funds.

"In my 20 years in the industry, there have been arguments that treating SMSFs differently is in the best interest of the client. But, I'm not sure this is one of those occasions," Mr Burgess said.

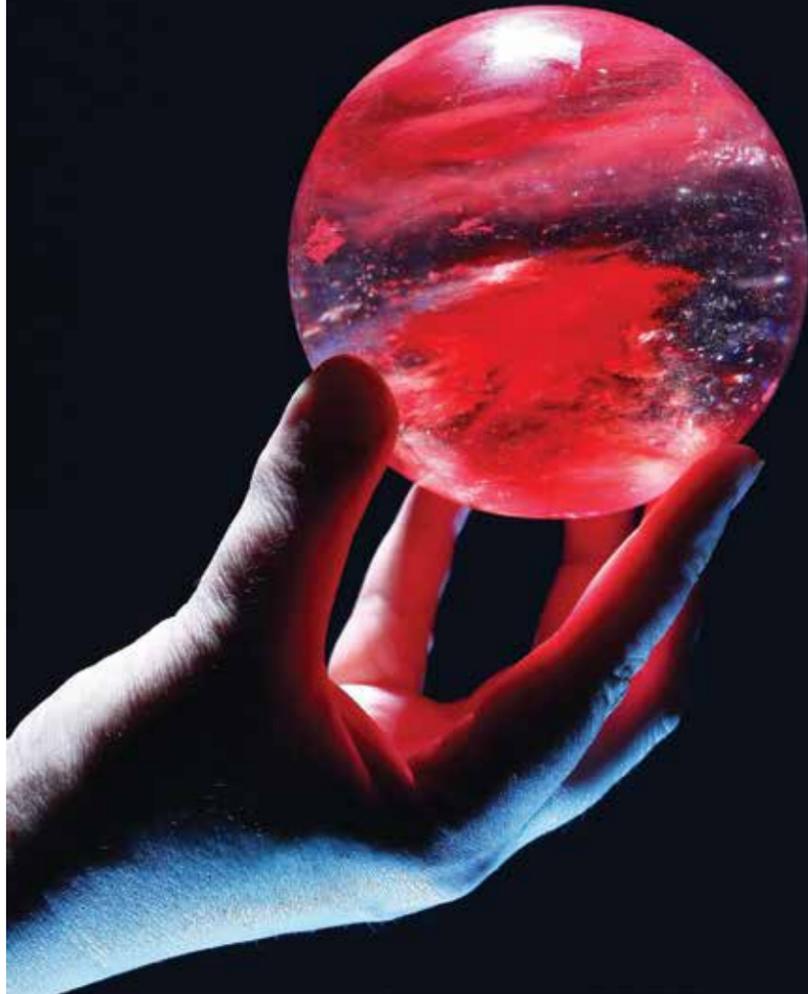
"Clients will incur penalties for every day they exceed transfer balance. It is difficult to argue it is in their best interest to defer reporting of events which impact transfer balance cap," he said.

"Given all the new thresholds and caps, our clients need up-to-date information," he said.

In response to this and many others who echo Mr Burgess' views, the ATO's Mr O'Halloran said the information that would need to be reported to the ATO is "not insignificant" and should already be well on the radar of trustees and professionals.

"Moving into pension phase is hardly a minor life event," he said. "We have listened to the feedback, and we believe this strikes a sensible and reasonable balance," he said.





Conversely, other software giants like BGL were thrilled with the outcome, after pushing for SMSF-specific carve-outs during the ATO's consultation period. Managing director Ron Lesh thinks the changes are a big win for accountants' workflow and importantly, for the end client.

He labelled initial policy proposals, which had all SMSFs under the same reporting regime, as "big brother gone mad" and said it would be "overkill" for most clients and professionals.

### The reality

Contention — and suspected ongoing lobbying — aside, this regime is going ahead. We asked the ATO on several occasions if it was safe to tell accountants that this is the way forward, given how many iterations have been floated, and the answer was a firm "yes." This is the ATO's position, and accountants can proceed on that basis.

For the estimated 15 per cent of the SMSF population the quarterly reporting will apply to,

there are late lodgement penalties to be aware of. But, it seems the ATO is pre-empting transitional teething issues, and is encouraging professionals to come forward where they are struggling to adapt — or to get their clients to adapt — to the new deadlines.

"I want to stress that the ATO's focus leading up to and after 1 July 2018 is to support SMSFs and their advisers in being ready for this, and helping them do what they need to do to be able to report these events," said the ATO's assistant commissioner Kasey Macfarlane.

"In the 2018/19 year, we will be taking a judicious approach to any late lodgement penalties," she said.

Compliance with the new cap is what the ATO is publicly prioritising, because tax consequences loom for those clients who don't get it right.

"The greatest risk, from our perspective, of SMSFs not reporting on time is the risk to the individual member if they've inadvertently and unknowingly made an error, and face that unexpected or increasing tax liability," said Ms Macfarlane.

What this new reporting regime also means, is that sneaky shortcuts sometimes used to hit deadlines with late-running or problem clients will be much more problematic.

For example, chair of the SMSF Association Liam Shorte, who also heads up financial advice practice Verante Financial Planning, said accountants who leave paperwork to the last minute and backdate documents to meet deadlines might find themselves in hot water.

"They may have conversations with clients over the phone about setting up a pension during the year but the paperwork is left to the end of the year to do," Mr Shorte said.

"It's just not going to be good practice going forward with the new reporting regime," he said.

"Accountants and financial planners need to get into the habit

of catching up with their trustees at least once every quarter for reporting and possibly more if their clients are taking ad hoc payments.

"I think it's just a case of bringing things up to meet the new standards and getting rid of old practices and adapting to the new world."

The opportunity in this, of course, is another reason to touch base with your clients and either fine-tune or increase your services with them.

### The future

Take a step back from the constant tinkering and rule-changes, and it's clear the ultimate end goal is real-time reporting across the board, which feeds into the government and ATO's epic push towards digitisation and data tracking.

For now, we have the ATO's position clear, and it's safe to proceed. But, when pressed, the

"The relief will provide more time for the SMSF industry to adjust to a more contemporary reporting model over time"

– Andrew Conway, IPA



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ATO couldn't rule out further changes to this reporting regime. Mr O'Halloran's safest answer was that the tax office will continue to respond to feedback from the professional community, and the requisites of legislation.

Superannuation executives, from both the SMSF and APRA-regulated lobbies, are talking as though the writing is on the wall.

"The bottom line is that SMSFs, from a technology point of view, are a long way behind the APRA funds.

"The rest of the superannuation sector as well as the regulators expect them to catch up. It just won't be in one or two years. It might be in five or six years' time," said the SMSF Association's head of technical, Peter Hogan.

"The target is that perhaps 95 per cent of SMSFs within five years will actually have the technology to allow them to report on a genuine real-time basis. Whether that takes five years or 10 years, I don't know. We'll have to wait and see." 



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# *No place to* **HIDE**

Accountants have been turning a blind eye to cyber security, but there are now legislative triggers which require tax and BAS agents to have a risk framework in place, and rethinking your practices is unavoidable

by Michelle La





New regulation put in place by the Office of the Australian Information Commissioner (OAIC) sees the introduction of the mandatory data breach notification (MDBN) scheme.

The MDBN scheme, which commences on 22 February, will require entities that fall under the Privacy Act to take on the onus of protecting themselves against cyber attacks.

Cyber security and privacy expert Leah Mooney from law firm Minter Ellison warns that accountants, particularly those who own or work in smaller firms, may not be aware that the MDBN will apply to them.

“Most SMEs don’t need to be concerned about the changes that

are coming in next year, because the Privacy Act and the Australian Privacy Principles, as a general composition, will only apply to organisations with an annual turnover of over \$3 million.

“However, there is a separate tax file number rule under the Privacy Act,” she further describes. “Any recipient of tax file number information, regardless of their annual turnover, are compliant under those obligations.”

Ms Mooney points out that accounting firms who don’t earn more than \$3 million but do handle tax file numbers, will have to comply with the MDBN, only insofar as it relates to tax file number information.

“Organisations that earn in excess of \$3 million a year, will have to comply with both the Privacy Act, Privacy Principles, and also that tax file number rule,” she said.

While there’s always been a professional obligation for accountants to treat client personal information with care, the MDBN scheme now puts a legal imperative on organisations to take the steps necessary to safeguard that data from unwanted third parties and intruders.

Ian Taylor, chair of the Tax Practitioners Board (TPB), also highlights that accountants who fail to comply with the notifiable data breaches scheme may also be infringing on the Code of Professional Conduct around their obligations to client confidentiality.

In cases of a notifiable data breach, Mr Taylor says that the Board may take into consideration the steps that the practitioner has actioned in preventing the data breach in the first instance.

Mr Taylor draws a parallel between the reasonable steps in preventing a notifiable data breach to securing a physical workplace.

“It’s like saying a practitioner goes on leave, locks up the office, locks up the computers, locks up the safe, puts all papers in the safe. But somehow, someone breaks into the office and accesses information,” he said.

“It’s the same analogy; if you’ve done everything possible in the first place to stop the cyber attack, it’s like somebody breaking into your office,” Mr Taylor said. “We take a favourable view in those circumstances.”

However, where practitioners have not taken appropriate action to minimise their cyber attack risk in the case of a notifiable data breach, then the TPB may take a different view.

“As a general guideline, we’re emphasising the fact that we believe practitioners need to take reasonable steps to ensure that they are protecting themselves, their practice and their clients from potential cyber attacks,” Mr Taylor says.

### Where are accountants going wrong?

Whether cloud or desktop-based computing, the main areas where accountants are going wrong in their defence systems revolve around a common thread — they are often the simplest mistakes. The first, and most common, revolves around credentials, i.e. usernames and passwords.

According to Ed Blackman, chief technology officer at accounting software company Reckon, a prominent method of identity fraud stems from stolen credentials.

“One of the biggest problems that we see are “phishing attacks”, where somebody attempts to gain access to somebody’s credentials.

“[Attackers] are able to send you an email purporting to be somebody that you know and asking you to access a document or a system

“It’s the same analogy; if you’ve done everything possible in the first place to stop the cyber attack, it’s like somebody breaking into your office. We take a favourable view in those circumstances”

– Ian Taylor, Tax Practitioners Board

which is actually a fraudulent system that you enter your credentials in to,” Mr Blackman said.

“Once you do that, they’ve got your username and password and they then go and access your system,” he said.

This is of particular concern for accountants who use AUSkey to access the ATO’s Tax Agent Portal, which contains sensitive information

such as tax file numbers and bank details.

“People can break into those systems and can essentially modify those details,” Mr Blackman reports.

“They’re able to compromise an AUSkey, or through identity fraud assign themselves an AUSkey, then they can lodge a return and arrange for the refund to be sent into their own accounts.”



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Another prevalent pathway to cyber attacks, Mr Blackman identifies, is through email accounts which unlock a portfolio of systems.

“A common way that’s happening at the moment is people gaining access to Office 365 accounts, and once they do that, they’ve got access to all of your emails,” he said.

“As soon as they’ve got access to your emails, they can do a number of things,” Mr Blackman describes.

“Firstly, trawl through it all and get additional information that they can then use to prosecute an identity fraud.”

He adds, “They can also find things like invoices. They can grab those invoices, change the bank account details and send them on again.”

“[Invoice fraud] is certainly one that we’ve been told about by our clients,” says Mr Blackman.

“We’ve assisted them in their inquiry and have been able to confirm that it’s a breach of their systems rather than ours.”

Despite the deceptive nature of cyber crime, some accounting firms are still lapsing in their defence systems by treating the issue as white noise, with many believing that it wouldn’t happen to them.

Tony Greco, IPA’s general manager of technical policy is reminding agents that they are high risk because of the data that they have in their systems such as tax file numbers and bank account details.

“The case has changed in business conditions, these hacking organisations are getting quite clever,” he says. “It’s only a matter of time before someone tries to attack their systems,” he said.

Furthermore, smaller accounting firms by their very nature are more vulnerable to cyber attacks because they have less resources and people available to allocate to the problem.

The danger, Mr Greco worries, is that accountants may not take the precautions necessary to ensure data safety until it’s too late.

“Busy accountants may decide not to give cyber security much focus



# \$3m

Firms with turnovers in excess of the \$3 million threshold will have to comply with the Privacy Act, the Australian Privacy Principles, and the tax file number rule

until someone in their network has had an unfortunate instance, or client data has been compromised and they’re subject to a litigation case against the firm, or their system has been brought down,” he says.

Safeguarding against cyber attack however, isn’t necessarily complicated. In Mr Greco’s experience, “Preventative measures here can go a long way to ensuring that they don’t have that unpleasurable event happen to their practices.”

## Building cyber resilience

In light of the mandatory data breach notification scheme, there are a number of practical and technical solutions that accounting firms can implement to improve their cyber security.

### Review current security systems

As a starting point, it’s worthwhile for accountants to look over what they currently have in place in terms

of security for computer systems. Simple, common sense changes can go a long way in improving a firm’s security position.

In particular, accounting firms should review password practices, an important area where firms may currently be lax for the sake of convenience.

Access should be limited to the minimum amount of people required and passwords should be strong and secure. Reckon’s Mr Blackman advises that passwords should ideally be long to make it difficult for algorithms to crack.

Where possible, accountants should also consider multi-factor authentication (MFA), a form of log in that requires two levels of identification i.e. a password and an SMS token. Some accounting software such as Reckon already have two-tier authentication capabilities that practitioners are not aware of.

Mr Blackman advises, “For some of our products, we’ve already got MFA available for certain log in methods, but it’s something that we will be working on to make available for all systems next year.”

### Develop a cyber breach response plan

In lawyer Leah Mooney’s experience, it is essential for accounting practices to prepare a framework in case of a cyber breach. “Once there is a data breach, things happen very quickly,” she explains.

“If you’re not prepared and you haven’t thought about what might happen, it becomes very difficult to manage the breach and it can then be harder to manage your client expectations following on from that.”

Ms Mooney says that there are plenty of resources, both free and paid, available to assist small-to-medium sized accounting practices in the event of a data breach. The point that she stresses is that it is

“The case has changed in business conditions, these hacking organisations are getting quite clever. It’s only a matter of time before someone tries to attack their systems”

– Tony Greco, IPA

Mr Taylor lists potential costs that agents can suffer as a result of a cyber attack, “It could be reputational, it might include paying a ransom to get back data, or getting your systems back online. It could have a flow-on effect to other clients, for example if your systems go down the day before a significant lodgement date with the ATO.”

### Educate yourself

There are resources available to help practitioners understand the MDBN scheme, as well as furthering their professional knowledge around cyber security.

Ms Mooney from Minter Ellison advises that the OAIC is a helpful place to begin. “The OAIC has said that for the next 12 months that it will be seeking to play an educator’s role and seeking to assist organisations to comply with their obligations, rather than focusing on compliance,” she says.

Nationally, the IPA offers training and IPA technical publications constantly give updates in relation to cyber security. The TPB is also encouraging accountants to educate themselves by modifying their continuing professional education (CPE) policy to include courses or work that is related to cyber security.

TPB chair Ian Taylor says, “If a person attends a cyber security seminar, we’ll now accept that as part of their ongoing professional education because we want them to be aware of their obligations to protect themselves and their practices the best that they can.”



# On the FRONT LINE

All That Counts director Liette Calleja has taken bookkeeping from the back room right into the trenches and she explains what keeps her going back for more

by Jotham Lian



There's no mistaking Liette Calleja's passion for small business from the outset as she rolls out countless ideas for improving one's work/life balance and tips for streamlining operations.

Yet beneath that chirpy disposition lies a brutal heartache - losing her father, a carpenter, to a stroke and heart attack, as he struggled with the running of his small business.

Ms Calleja credits this as her guiding moment, turning her attention to helping small business owners succeed or exit the business under their own terms.

"I know first hand what is the cost of running a small business. [My father] put everything on the line for us. This is what small business owners do every day," Ms Calleja said.

"It's not just about financial reports, it comes back to the empathy in me and being able to make a difference to small business, not letting children go through what I went through, seeing my dad have a stroke and die from stress.

"I always see business owners as someone's parents and if I can make a difference to mums and dads, I will."

### Striking out

Ms Calleja began her journey as an accountant with Entertainment Distributors Company (EDC), moving on to be the national procurement and payables manager for telecommunications company Austar, before obtaining a role as finance manager for Melaar Systems Pty Ltd.

In helping a family member start up his own business, and wanting to

start a family of her own, Ms Calleja sought to strike out on her own, setting up All That Counts in 2004.

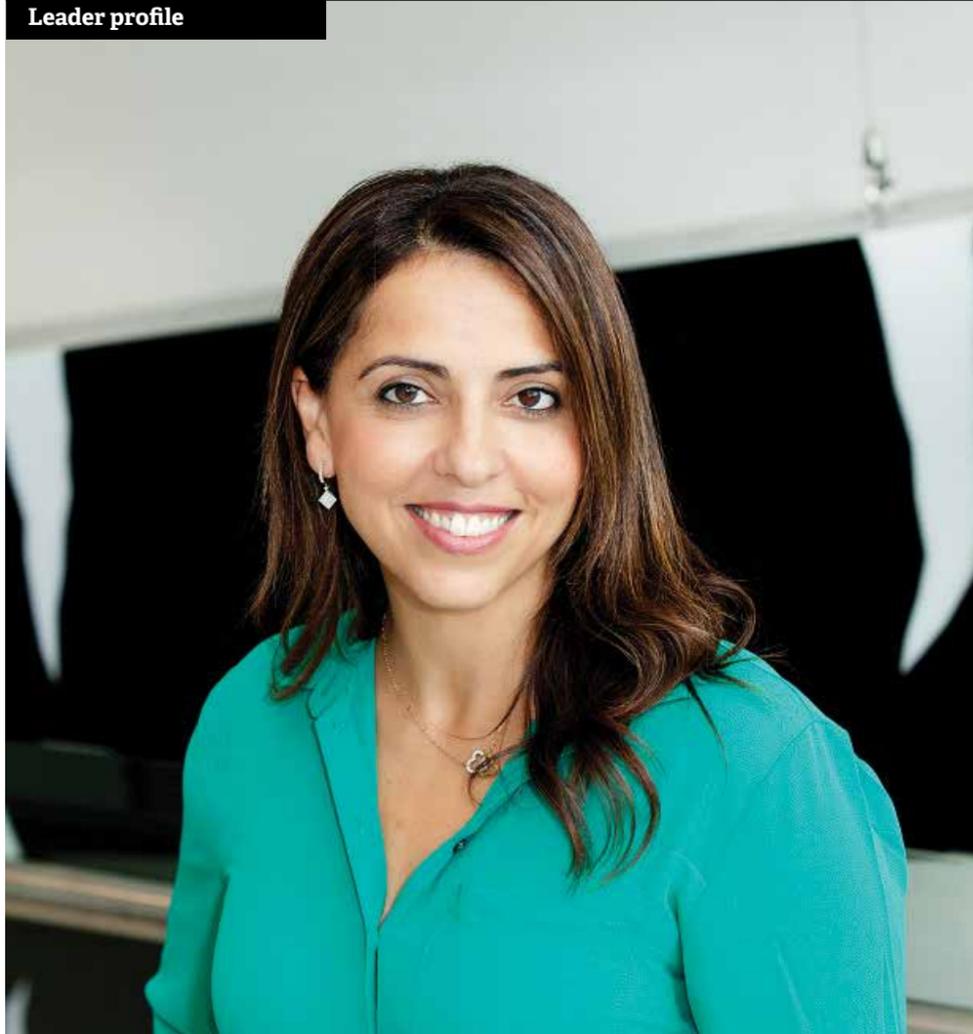
She believes her time in the corporate world has afforded her an edge over her rivals, in which she transferred her "corporate accounting knowledge to small business that couldn't afford to have a full-time financial controller on their books".

And yet as passionate about her craft as she may be, Ms Calleja's title doesn't sit well with her.

"I run a bookkeeping business but I don't believe I am just a bookkeeper," she said.

A bookkeeper, according to Ms Calleja, is often stereotyped as the person who merely sits in the back room keeping a record of transactions.

"A good bookkeeper has so many touch points with their clients and



→ they are the people to look at the business's cash flow, how things are going, and what's going on in their business," Ms Calleja said.

"When I first started All That Counts 13 years ago, there weren't many good bookkeepers out there so back then I had to pitch and hold myself as a bookkeeper and even though I knew I was more a management accountant, financial accountant, I had to label myself as a bookkeeper which didn't sit well with me.

"The clients I was attracting were those that needed a financial controller, not just a bookkeeper who had just done a Cert IV and done a MYOB course. They wanted someone who really understood business," she added.

While the idea of being "just a bookkeeper" irks Ms Calleja,

accountants attempting to bundle their services with bookkeeping puts her on the edge of her seat.

"The accountants have gone in and sold a fixed package for their tax plus bookkeeping plus the same price that we're doing the bookkeeping for," said Ms Calleja.

"[But] small businesses aren't getting the service they want from those accounting firms, they are still just getting compliance, they are not getting any of what a really good bookkeeper does.

"The engagement - if you're doing quarterly accounts for someone, then that's not engaged because it's too late. We want to be engaged with our clients at least once a week," she added.

"We want to help them, we want to control their costs, we want to control their processes and that's what a bookkeeper needs to do.

"Step outside the numbers and start looking at the operational side of the business as well. How can you help a business do better on the financial aspect by helping them improve their operations?"

However, Ms Calleja concedes that not every bookkeeper may be prepared to further their education in preparation for the threat posed by firms bringing bookkeeping back in-house or through acquisitions.

"I've been through the trenches and one thing I've learnt is that if you're not resilient in this industry, you won't survive," said Ms Calleja.

"Especially when you've got accounting firms taking your clients away from you, you've got to fight back. If you're not prepared to sell, you've got to be prepared to fight back and you've got to be prepared to reinvent yourself every year.

"You've got to start bringing in different offerings to your business and upskill yourself in different things," she added.

"I do think if you want to take your business to the next level, then don't think it's just going to happen by just doing what you're doing today."

### A taste of her own medicine

Ms Calleja believes her firm's adoption of value-based pricing has been the cornerstone of its success, allowing her team of five bookkeepers to adopt an "attitude of whatever it takes" for her clients instead of "watching every hour".

"The service that we provide is probably no different to any other firm but it's when you have someone in your organisation like a client relationship manager, that's the difference," she said.

"That's where clients say to us, I'm not getting the service I want from my accountant, they don't return my calls, my emails, and that's because they're just busy.

"That for me is the biggest difference, it separates the normal

## "Firms are leaving money on the table when they neglect social media"

sole trader bookkeeper from an actual bookkeeping firm."

Further, in watching her father toil under the pressures of juggling multiple small jobs, Ms Calleja developed a strategy for her clients to yield better returns while achieving work/life balance.

"Life's too short for them to be working all these hours for very little return and that's what I've been educating my clients to do and I thought, 'I should give myself some of my own medicine'," said Ms Calleja.

"We've made a strategic decision that we're better off not growing in size but growing in value."

### Looking ahead

While Ms Calleja believes threats will always be present in any industry, firms that continue to look outside their familiar roles will continue to ride the storm.

"Talk to CFOs about how

you can form an alliance or be, for example, Employment Hero's implementation partner — that's not bookkeeping, that's implementing payroll systems," said Ms Calleja.

"But that's where I think you will remain relevant in the industry and you can see why I struggle with the term bookkeeper because they do so much more."

Conversely, Ms Calleja believes firms need to pay attention to their marketing in order to stay ahead of the game.

"If you think about the future of our clients, where are they

coming from? They are coming from the children who are starting to take over their mum and dad's businesses and that generation is very much driven on social media," she said.

"Firms are leaving money on the table when they neglect social media.

"It hasn't been easy because social media wasn't something I grew up with so having to get out of my comfort zone was a challenge, people think it comes naturally to me but it doesn't, I really have to work hard at that but it's obviously paid off and that's the way the future is." 📌



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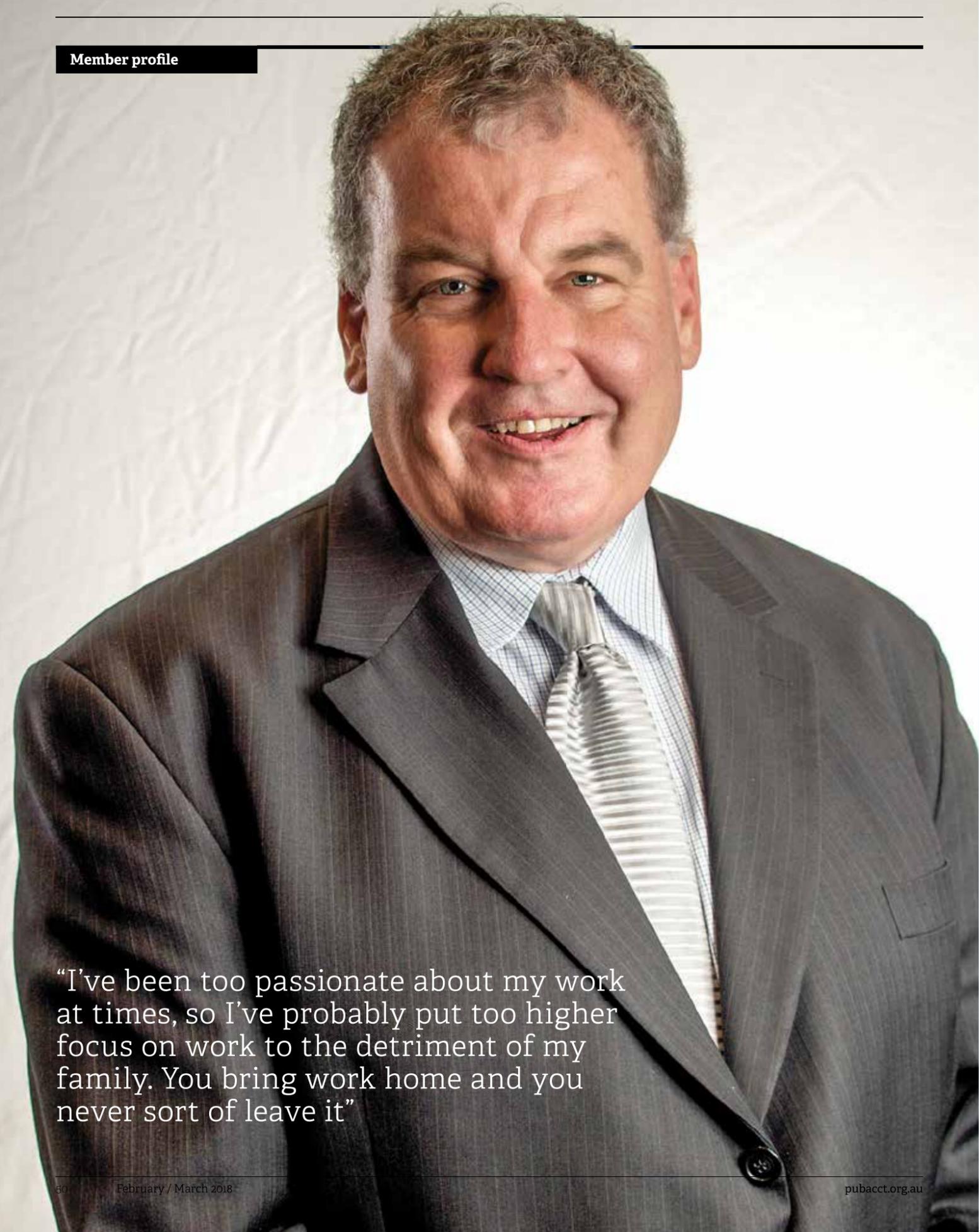
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“I’ve been too passionate about my work at times, so I’ve probably put too higher focus on work to the detriment of my family. You bring work home and you never sort of leave it”

# THE *love* BOAT

Love led the way for Chris Williams FIPA, whose illustrious 40-year career saw him become CEO at Tasmanian health insurer St.LukesHealth

by Michelle La



**T**he road to success for Chris Williams, while rooted in accounting, started off on an entirely different foot. Initially, Mr Williams pursued an electronic engineering degree.

Part way through completing his studies, Mr Williams’ life and career took a drastic turn when he fell in love.

“I met the lady who is my wife!” he says. “She was doing an education course and when she graduated she was hired by the education department in Tasmania.

“My career as an engineer was going to take me up to NSW to work and I thought, ‘Nope, I’m not going to leave this lady.’ So,

I had to start again and reinvent myself in some respects.”

Following the love of his life to Tasmania meant that Mr Williams had to go back to square one in his studies. It was then that Mr Williams’ beginnings with the IPA played a pivotal role in his profession switch.

“Once I graduated, I had a really good understanding of accounting and I was able to go into work and apply those principles early on in my career,” he says.

Why he chose the IPA over other accounting accreditations, Mr Williams adds, was because of its pertinence to real-life employment.

“I spent almost four years studying for my degree in electronic engineering, and it was a lecture type of thing that was quite impersonal,” he says.

“Whereas the IPA course felt there was a genuine engagement between the teachers and students, it was very grassroots and relevant to what I needed.”

After completing his course, Mr Williams’ qualification paved the way for his future career.

“The IPA and the course I did was ideal and I was lucky enough to get a job at St.LukesHealth. I started off as an accountant and worked my way through the company,” he says.



### → Front desk to corner office

Mr Williams' successful 40 years at Tasmania's leading not-for-profit health provider St.LukesHealth began with a humble ground-level job at the front counter.

"I was there with all the customer-facing staff, and customers would come in and I would look after whatever needs and enquiries they had," he says.

When Mr Williams finished his public accountant course, he was offered a role as group accountant at St.LukesHealth. His foundational studies at the IPA proved useful in arming Mr Williams with the skills needed to excel at the job.

"I think my IPA grounding, my membership, was absolutely ideal for me," he says. "It gave me the knowledge and expertise that led me into that group accountant role."

From there, Mr Williams advanced progressively upwards, to general manager, and company secretary and eventually, in January 2014 he was appointed CEO of St.LukesHealth.

His progression throughout the organisation and health industry is something that Mr Williams prides in his time at St.LukesHealth.

"I wasn't one of these guys that'd come in as the new CEO without an understanding of the issues that everybody in the organisation was facing. I had good industry knowledge," he says. "I think that built a great culture within the organisation."

### Weathering the storms

Across an astonishing four decades at St.LukesHealth, Mr Williams has experienced

first hand the major changes to the accounting and health industry.

On the health side, Mr Williams has played a role in pioneering the way insurance providers look at medical care.

"There was a transition in the vision of the organisation away from what I would call an indemnity-type arrangement, where people would come in, pay some money, they'd come in with a pain, we'd pay them back," he says. "That's not the future of health."

The prospects of health insurers like St.LukesHealth, in Mr Williams' vision, is working with members on their healthcare needs, around matters like preventative care.

"That's how St.LukesHealth, as an organisation, was focused on being in my career, helping our members stay healthy, live well and live better," he adds.

Keeping up his IPA membership from the very beginning of his career and still continuing it now, Mr Williams has also

been privy to the substantial changes to the accounting industry.

"It's become a lot more complex," he says. "The accounting role when I took over was quite a simple role. Reporting requirements weren't anywhere as onerous as what they are now," he explains.

"Accountants are more conscious of the regulatory environment than I was when I first started in my role at St.LukesHealth," he says.

Mr Williams has also supported the IPA's development over the years to become Australia's leading industry body for public accountants. In Tasmania, Mr Williams has been a major supporter of the annual congress for 16 consecutive years.

"I've seen the IPA develop really good relationships with regulators and the government who are influencing accounting policy. That to me has added value to my membership," he says.

"My status as an IPA person is really up there with any other institute that I could be involved with," describes Mr Williams. "I'm a member of the Australian Institute of Company Directors, the Australian Institute of Management, but the one that I value very much is my fellowship with the IPA."

### Sailing into the sunset

After having stepped down as CEO in mid-2017, Mr Williams is now enjoying his well-deserved retirement years. With more time on his hands, he's had the opportunity to look back on his impressive career.

"Since I've left work I now reflect on a lot of things that I've done," he ruminates. "Whilst I'm proud of 99 per cent of the things, there are some things where I think, 'You could have done that a little bit better Chris.'"

For Mr Williams, the main thing that struck him in hindsight was work/life balance.

"I've been too passionate about my work at times, so I've probably put too higher focus on work to the detriment of my family," he candidly admits.

**"Being a member of the IPA, I formed a lot of close relationships with other similar-minded people in terms of their love of accounting and management. I developed great relationships with my fellow classmates, my teachers and those relationships still exist today"**

"You bring work home and you never sort of leave it."

The IPA are advocates of wellbeing in the workplace which Mr Williams resonates with. The ethos of "working to live, not living to work," is one that Mr Williams encourages other accountants to be mindful of.

When asked whether he believed he would have reached CEO of St.LukesHealth if he had spent less time at work, he is confident that he would still have achieved the same goals.

"The board sat down with me in August 2013 and gave me the opportunity to apply for the [CEO position]. I spoke from the heart, openly and honestly based on my beliefs and they gave me the job," Mr Williams describes.

By the end of his first term as CEO, Mr Williams knew in his heart that he wanted to reprioritise his time to focus on his family.

"I knew in early 2017 that I wasn't going to renew my contract," he explains. "I have a granddaughter, I wanted to spend time her, and I wanted to spend time with my wife who was also retiring."

"I don't have any regrets about my time at St.LukesHealth. It's been 40 great years that I've worked for the company and I've been really lucky."

"I've served on a large number of boards in Tasmania and those have arisen because of the opportunities that St.LukesHealth gave me."

### You've got a friend

Mr Williams is celebrating over 35 years as an IPA member. Throughout his career, the IPA has proven to be more worthwhile than just an accreditation.

"The course was two-fold: one, it gave me some qualifications and knowledge," he explains. "Two, it gave me the relationships with other business people and members of the community that created a good foundation for the rest of my career," he said.

Mr Williams has been awarded IPA Tasmanian Accountant of the Year twice, once in 2003 and again in 2016. He's very proud of his achievements, but even more so, he treasures the networks that he has developed through the IPA.

"Being a member of the IPA, I formed a lot of close relationships with other similar-minded people in terms of their love of accounting and management," he says.

"I developed great relationships with my fellow classmates, my teachers and those relationships still exist today."

While there are many ways that the IPA has helped throughout his career, it's the camaraderie that stands out the most for Mr Williams. "I think the relationships that I have with my fellow IPA members is the best thing for me personally." 📍



# 2018 UNITED KINGDOM DELEGATION 20 – 25 MAY

Personally led by IPA CEO, Andrew Conway this delegation will combine site visits and an intensive program examining the topics of anti-money laundering, data protection and the effects of Brexit and its impact on Australia. There will be the opportunity to network and enjoy iconic landmarks in London and the surrounding countryside.

For more information or to express your interest, please email [JOANNA.SPENSLEY@PUBLICACCOUNTANTS.ORG.AU](mailto:JOANNA.SPENSLEY@PUBLICACCOUNTANTS.ORG.AU)

# ... Business building

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



**The crooks love accountants**  
Accounting firms are an attractive target for crooks due to the sensitive financial and private client data held on firms' systems. Much, if not all, the information needed to steal an identity can be found in client data



**The AFSL landscape: what you need to know in 2018**  
Time will be the judge as to whether the FOFA reforms provide a more efficient delivery of services



**The pluses and pitfalls of parental leave for men**  
For a productive and inclusive workplace, we need to rethink parental leave being focused on female workers



**Return on investment is good, but we need return on life**  
Advice we give our clients should aim to generate better return on life (ROL), and professionals could learn a thing or two from this principle as well

# The crooks love accountants

Accounting firms are a very attractive target for crooks due to the sensitive financial and private client data that are held on firms' systems. Much, if not all, the information needed to successfully steal an identity can be found in client data

• • •  
by David Smith



David Smith,  
director, Smithink

**T**he crooks love the internet. Without leaving their lair they are presented to the door of almost every accounting firm. All they need are the keys to open the door.

All too often the keys are left out in the open or the door is left unlocked and the criminal waltzes in, grabs the treasure trove of data and leaves, often with the victim being completely unaware.

Imagine having to tell your clients that their information has been stolen or worse having the breach reported in the press.

There are a growing number of stories of firms being breached. In our ATSA 2017 Technology survey completed in September 2017, 14 per cent of firms reported that they had been hacked. Crooks are getting into tax return data. Crooks are getting into small business accounting systems and stealing the employee details to use their identity for criminal purposes. Crooks are lodging employee tax returns to steal the PAYG. Certainly, all very worrying.

So the time has come for every accounting firm to conduct a security review. While nothing is 100 per cent secure and a crook with enough determination, talent and time can still probably get past your security, there's a lot you can do to slow the crooks down so much that they may find it easier to hack someone else than waste time trying to get past your defences. There are a number of professional organisations that will conduct a security review of your practice, but there's some basics that every firm should be putting in place.

Poor usernames and passwords are the first line of attack. If one of your service providers has been subject to a widespread attack such as companies like LinkedIn, Adobe and others have experienced, it is likely that the username and password combinations that you had for those services can be obtained by the crooks and used to break into your accounts on other services. Perhaps the days of having your password

on a post-it note on your screen are over. Remember security breaches can be internal as well as external.

Of course the obvious also applies. Use different passwords for different services. Use passwords that are difficult to break. Use software that generates passwords. It's all a hassle but in this day and age one has little alternative. Many are using password locker applications to manage the growing number of username and password combinations they have for different services. But using these systems has its own risks. LastPass, one of the more prominent password managers has been breached twice, although in neither case did the hackers break past the encryption protection and access the password database. That does not mean it won't

happen in the future. There are ways of storing your passwords securely locally on your PC using applications that create encrypted drives, but if you ever forget the password for the encrypted drive access will be lost forever.

So there is no easy answer here. Many people feel that after weighing up the pros and cons using a reputable password manager is the lesser of the evils.

These password managers have one additional advantage. Many provide access to a nominated third party after a specified period when the user does not respond to a request by the nominated party to access the password manager. This means in the case of death or disablement a family member or other nominated third party can gain access to the password manager to have the passwords to manage your affairs.

Of course passwords should also be changed regularly.

Over time we are going to see more use of biometrics (fingerprints, voiceprints, retina scans) to avoid the need for passwords. This technology is still being refined. It can be a little unreliable.

Using two-factor authentication is a critical safeguard. It should be turned on where available for every service that you use. Two factor authentication involves sending a code to your mobile device, which means you need to have the device as well as a password to gain access. However, it's not infallible. The crooks are managing to find ways of redirecting SMS messages by hacking telcos and other means. For this reason, many companies are now using their own mobile apps to manage two-factor authentication rather than relying on SMS.

- Other things that should be considered include:
- Turning on remote wiping of mobile devices so that if the device is stolen the data can be quickly wiped.
  - Encrypting drives on laptops so that if the laptop is stolen and/or the drive is removed the data cannot be accessed.
  - Ensuring that you are using the latest versions of software, particularly operating systems like Windows as these are more likely to incorporate patches to close any discovered security flaws.
  - Ensuring you're running an up-to-date reputable malicious software scanning application.
  - Ensuring you have effective data backups that are protected from malicious attack.

This is not an exhaustive list. Professional advice should be sought to ensure you have the best possible protection.

Nothing is 100 per cent secure. So, the next thing you need is a plan. You need to have your client communications ready. How would you communicate with your clients if a breach occurred? What would you tell them to do? What in turn should they be saying to their employees? You need to have templates ready to go with a moment's notice. Time is not your friend. You'd need to notify anyone impacted as soon as the breach occurs to minimise any damage to them.

There are a number of guides and services to assist you should a breach occur. The Australian government's Office of the Information Commissioner has a guide "Data breach notification – A guide to handling personal information security breaches".

There are legal requirements for some businesses to report data breaches to the Office of the Information Commissioner and on their own website.

These laws primarily relate to larger business breaches that involve tax file number theft.

Training your team is also critical to ensure that they know what to look for and what they should do if they suspect a problem has occurred. Does your team know how to recognise a malicious email? Do they know to carefully look at hyperlinks before clicking on them? Do they know what to do if they get a phone call from someone who starts to ask for personal information?

Critically, your team needs to notify you as soon as a problem arises. Some malicious email attacks will instantly go to the breached user's email address book and start sending the same malicious email to every contact in that address book. It is critical that these people are notified as soon as possible so that they don't make the same mistake.

Cyber insurance is another key component of your risk management plan. How would you deal with a ransomware attack? How do you manage the risk that through a breach of your firm, your client's data is accessed and/or their identity is stolen? Of course preventing the attack is the best option but cyber insurance should also be part of your risk management strategy.

It's an unfortunate consequence of the connected world in which we live that the crooks are trying to take advantage. We try to have effective locks on our homes and business. We put in place insurance in case the house or business premises is burgled. Now is the time to think about your data in the same way and ensure measures are effective and if they're breached, then your risk management plan will protect you and your clients as far as possible. 📧



# The AFSL landscape: what you need to know in 2018

Time will be the judge as to whether the FOFA reforms provide a more efficient delivery of services

by Jeremy Danon



**Jeremy Danon,**  
director,  
Ariel & Associates

The change was prompted by the Future of Financial Advice (FOFA) reforms, which resulted in the obligation for such accountants to obtain their own Australian Financial Services Licence (AFSL) or operate as an authorised representative. The FOFA reforms were designed to address critical deficiencies in certain aspects of the financial services sector. There were a number of complaints from retail clients emanating from conflicts of interests, conflicted remuneration and acting contrary to the best interests principle. Since superannuation is a crucial component of each individual's financial being, it was resolved to bring all facets of the superannuation industry to a higher regulatory threshold. As SMSFs are obviously a type of superannuation product, the removal of the accountants' exemption meant that they were required to be similarly treated. Since SMSFs have always been part of an accountant's suite

of services, the new provisions meant that accountants would have to operate in accordance with the applicable licensing provisions. It is this cultural change that I believe has caused so much angst for accountants. Some may have noted that many accounting practices already operated under their own AFSL, however, these businesses were generally offering financial planning services. Although financial planning is not specifically referenced or defined in the *Corporations Act 2001*, the term generally refers to financial products such as superannuation, life insurance products, general insurance, retirement savings accounts and even securities. In providing such services to their clients, financial planners would need to be appropriately licensed, authorising them to provide financial product advice and dealing services in regard to the above mentioned financial products. If advising or recommending to retail clients, the relevant representative

would need to have completed appropriate training, pursuant to ASIC Regulatory Guide (RG) 146. Accountants who operated in this space were licensed and accredited in the same manner as other financial professionals. Consequently, the new reforms meant that an accountant who provided advice about what an SMSF was and the advantages and disadvantages of establishing such a structure, would need to be licensed. It is often said that the provision of factual information does not constitute financial product advice, which subsequently means that the licensing laws are not applicable. The answer to that is yes... and no. RG 36 provides additional insight and defines factual information as "objectively ascertainable information whose truth or accuracy cannot be reasonably questioned". However, it is important to note that there are instances whereby such communication may in fact amount to financial product advice. Further from

RG 36, which states that "where factual information is presented in a manner that may reasonably be regarded as suggesting or implying a recommendation to buy, sell or hold a particular financial product or class of financial products, the communication may constitute financial product advice". An example of this is where the characteristics of two financial products are described in a way that suggests that one is superior. The new reforms introduced "class of financial product advice" as a new term. This refers to providing advice on the general nature of one of six designated financial products, but not making a specific recommendation. This can be illustrated in the following example - if a licensee is authorised to provide class of financial product advice in regard to basic deposit products, then a representative may provide advice on different types of basic deposit products, (for example, term deposits, savings accounts, cash management trust accounts), but they may not refer to a specific bank or other account provider.

In order to provide class of financial product advice to a retail client, a representative must be RG 146 qualified in the respective financial product. It would not be uncommon for an accountant to advise their client to open up a bank account to establish an SMSF and then follow up with sagely advice to remind the client to obtain appropriate insurance (for example, life, home and contents) as well confirming that they should avoid highly volatile stocks and consider less risky, blue chip securities. As I have illustrated, the accountant has limited their communication to class of financial product advice, as they have not provided any specific recommendations. In this example, class of financial product advice has been provided in regard to the following financial products - deposit and payment products limited to basic deposit products, general insurance products, life products limited to life risk insurance products and securities. In order to make the above statement, the accountant must be RG 146 compliant in

the four identified financial products. This is the same level of accreditation that is required for a stockbroker (in regard to securities), or an insurance broker (in the case of general insurance and/or life products), or a bank employee (in the case of basic deposit products). This is despite an accountant being limited in the scope of advice that they can provide. In my perspective, equating the industry qualifications for a limited licence representative and a full service stockbroker represents regulatory overkill and is asinine in its practicability. Accountants who were members of one of the three main accounting bodies and who held a public practice (or similarly named) certificate, automatically had their experience recognised for the purposes of RG 105 - these individuals were referred to as recognised accountants. That is, subject to applicable police and bankruptcy checks, ASIC did not object to the expedited appointment of recognised accountants as responsible managers. It is important to note that responsible managers are responsible for the provision of financial services under the AFSL. ASIC will refer to the skills, competencies and experience of nominating responsible managers before agreeing to the final authorisations and conditions of an applicant's AFSL. Following the three-year transitional period, which concluded on 30 June 2016, ASIC no longer accepted the grandfathering provisions for recognised accountants. This meant that an accountant who applied for an AFSL from 1 July 2016 could not use their SMSF experience to count towards competency for the purposes of being appointed as a responsible manager. The practical consequence means that an

applicant must appoint an external responsible manager, or become an authorised representative of another AFSL holder. Both alternatives bring about their own concerns - either from a commercial or continuity basis. Being wholly reliant on an external party to provide financial services presents a level of risk that cannot be satisfactorily mitigated. It would have been preferable for ASIC to continue to recognise pre-AFSL SMSF experience due to the fact that there is a natural sunset clause in the appointment of a responsible manager. Although RG 105 provides five options by which to satisfy the responsible manager requirements, the most commonly used option is three years' experience from the past five years. This means that this option would no longer be available from 1 July 2018. As a result of the cessation of the accountants' exemption, an excessive amount of bureaucratic red-tape has been imposed on the SMSF industry. Time will be the judge as to whether the reforms provide a more efficient delivery of services as well as whether they deliver additional consumer protection. Although there are some positive aspects of the reforms, I am still of the opinion that the implementation has brought about certain oversights. Besides the overall obligation of imposing a new licensing regime onto accountants, I have been critical of the requirement for advisers to obtain full RG 146 certification despite providing class of financial product advice. Further, I am concerned that ASIC has ignored an accountant's SMSF experience prior to 1 July 2016, in considering whether or not they have adequate experience in being appointed a responsible manager for the purposes of obtaining a limited AFSL. ☹



# The pluses and pitfalls of parental leave for men

For a productive and inclusive workplace, we need to rethink parental leave being focused on female workers

• • •  
by Thomas Paul



**Thomas Paul,**  
associate director, Pilot Partners  
Chartered Accountants

In August, my wife and I welcomed our second daughter into the world. She is a delight and we are all very excited, particularly our two-year-old daughter who has taken to her role as big sister exceedingly well. Having been through it all before, we both thought that we knew what to expect. We knew there would be long nights and difficult days, particularly with a toddler thrown into the mix. While parenthood is immensely rewarding, integrating it into the rest of your life, including your work, can be difficult.

When my daughter was only six days old, I interrupted my paternity leave to attend a lunch our firm was hosting. I had earlier volunteered to give a presentation on our financial modelling capabilities and my very understanding wife agreed that she could do without me for a few hours.

After a productive conversation, our guests left and we stood around the boardroom debriefing on how we all thought it had gone.

I don't remember closing my eyes, but the next thing I knew, I opened my eyes to find one of the partners quietly laughing at me. I had nodded off for a few seconds while everyone else spoke around me. Fortunately, he was the only person to notice. That was the moment when I truly knew I had crossed over into the "new parent" level of tiredness again.

## Set expectations early and stick with them

I have been fortunate to work for a firm that truly believes in having a balance between work and home. I was able to take close to a month off for paternity leave, no questions asked. I can leave on the dot of 5pm and there are no sidewise glances or hints, subtle or overt, that I should be working later. If I do have any outstanding work I attend to it after the girls are in bed.

Unfortunately, the mentality that you are only working hard and committed to your job if you remain at the office after hours is still prevalent.

Supporting working parents shouldn't stop after they come back from parental leave. Unfortunately, there is still a way to go in integrating this thinking into the workplace. Some firms will advertise that they offer flexible working arrangements, but the reality will be that they are extremely difficult to arrange, or really just anticipated for use by their female staff members. This type of window dressing is both dishonest and harmful to workplace morale. Fortunately, this is diminishing as progressive firms, including my own, recognise the benefit of improving workplace efficacy by not being so rigid on strict office hours.

The ability to take leave when necessary is also an important consideration. My wife is a solicitor and there have been a number of occasions where we have woken up to a sick child

and have had to decide who had more pressing deadlines and who could afford to take a day or two of carer's leave. For two professionals, this is not an easy decision, particularly if it involves multiple days off, balancing the needs of our family to the promises made to clients and colleagues.

However, the onus of implementing reasonable expectations does not rest solely with employers, but with working parents as well.

As babies rarely arrive on their due date, it does make it difficult to accurately plan your workload as at any moment you might get "the call" and leave unfinished work for your colleagues to attend to. Upon reflection, I did not properly disconnect myself and effectively delegate work to my team in the initial few days after my daughter was born. This

resulted in me answering emails from clients and other consultants in the hospital while my newborn daughter slept. I really only had myself to blame for this as my colleagues did not expect me to make myself available.

## Technology - the double-edged sword

It is the cliché of the moment - technology is changing the way in which we work. It opens new possibilities while increasing the efficiency of tasks we already have to do. As a financial modeller, I completely agree with this world view. I work daily with clients of all sizes to build financial forecasts and cash flow projections, either from scratch or in a more efficient and interconnected way. It gives me great pleasure to help a business determine their future direction in a way they can clearly articulate to other stakeholders

like banks and shareholders. The ability of technology to deliver this is only improving every day.

Despite this, I would still argue that technology can have undesirable impacts if it is allowed to.

It is an accepted part of society that the majority of us are connected around the clock. Most Australian professionals will have at least one smartphone, with email and social media pouring in. We have all had that email or phone call after 5pm that requires immediate attention and because we can remotely access our work computers, there is no physical reason we can't respond. While this is not a problem exclusively faced by working parents, I have felt it more acutely since becoming a parent. Ultimately, this comes back to setting the right expectations with colleagues, bosses and clients.

## Working parents, not just mothers

I've used the term 'working parents' in this piece to make it clear that I don't just mean working mothers. The world is changing, albeit too slowly, from mothers being the assumed primary carer and the father being the primary breadwinner. The workplace needs to change to reflect this too through the proper implementation of policies to support the decisions working parents make.

Among my friends who have had children, I have seen arrangements where the father took more time off compared to the mother, and another where the father worked during school hours and again after bedtime so that he could do the school run. In our case, we decided that my wife would take a year of maternity leave before returning to part-time work after the birth of both our daughters. In all these cases, an arrangement was made based on what suited

the family best, having regard to their specific circumstances. Fortunately, our employers supported this flexibility.

Raising children often takes more than just the parents, however. As the old saying goes, it takes a village to raise a child. Working grandparents and other carers also face similar pressures in the workplace. Any carer of a child, regardless of the relationship to the child, should be able to access the same flexibility arrangements working parents receive to help support the raising of the child.

We are very fortunate our daughters' grandparents are active in their lives. Both grandmothers look after our eldest daughter once a week, which is a special time for all involved. This is only possible because one is retired and the other works for an employer who offers flexible shifts. If they didn't have this flexibility, they would not be able to help out and see their granddaughters as much as they do. Thanks to their weekly assistance, both my wife and I are able to build our careers and know the girls are building lasting relationships with their grandparents

## Real action, not window-dressing

It is great to see the changes already happening in the workplace. Compared to previous generations, working parents have access to more options for succeeding in their careers while maintaining their family life. I still think there is a way to go, however, but this will continue to be a challenge for employers and employees. Ultimately, I believe firms that adopt more inclusive policies will see the benefits of more engagement and efficient working parents. 🍌

# Return on investment is good, but we need return on life

Advice we give our clients should aim to generate better return on life (ROL), and professionals could learn a thing or two from this principle as well

• • •  
by Stephen Mitchell



**Stephen Mitchell,**  
business development manager,  
Bill Butler

Does it seem that some of your clients, despite getting the right investment advice, are not translating financial success into the lives they really want?

Not enough cash to do what they'd really like? Dreams way off over the horizon and not getting any closer?

Mitch Anthony, a leading exponent of personal finance education and life planning, and a mentor for many advisers and financial professionals, calls this a poor 'return on life'.

People may receive sound investment and financial advice but still fail to use their financial gains to fund the life – and the lifestyle – they want. The numbers on the statements look good enough but they haven't planned or managed their wealth

to enjoy all the fruits of it. Many of the joys and freedoms people wish to enjoy are hampered by lack of cash flow, for instance.

Does this sound familiar? If so, then Mitch Anthony has some great ideas to improve the returns that clients get. He highlights six areas of value that should be incorporated into financial planning advice.

There are, of course, challenges that advisers face that inhibit being able to cover all the key areas – and these are detailed below.

But at the same time, this doesn't preclude the possibility of partnering with cash management advisers and planners who can bring these qualities to the table.

At first glance, the six qualities may seem rather basic.

But scratch away the surface and we see that they really are the keys to improving the lives of people who have never quite got to grips with their finances – or translated their successes into real-life benefits.

## What are the challenges?

Before we get into Mitch Anthony's points, it's worth considering some of the key challenges faced by advisers.

The following factors may be partly responsible for not always achieving the great 'return on life' that clients aspire to:

- Advisers can quickly get bogged down with the 'small stuff' as they try to establish a systemised approach to generating investment profits;
- Advisers easily get busy and

must remain focused on core growth-aligned activities;

- Cash flow management services have their own 'glass ceiling' for growth with staffing levels and economic viability some of the key barriers;

- Advisers may particularly struggle to provide cash flow management services because they cannot profitably scale administration and client engagement; and

- No matter how client-focused they intend to be, they are restricted in how much they can really do because they have to look after the numbers.

With an appreciation of these challenges, let's get into the six pillars of financial planning that can bring more value and 'return on life' for clients.

## Mitch Anthony's six core values of effective financial planning

Below is a brief overview of each of the core values, as detailed by Mitch Anthony:

### 1. Organisation

Being able to introduce order into the financial life of clients is a key value: this includes the large-scale finance, such as estates and taxes, and the smaller scale household finances.

### 2. Accountability

Clients being able to deliver on financial commitments is only possible if you can help them prioritise financial goals and take the necessary action. Advisers must demonstrate the steps and then monitor progress.

### 3. Objectivity

Your insight must help clients avoid emotionally driven decisions; you must be available to research and ensure clients have all necessary information, while also disclosing any potential conflicts of interest.

### 4. Proactivity

Be proactive in helping clients anticipate life transitions and be financially prepared for them; this requires understanding your client's lives and creating an action plan to meet and accommodate potential changes.

### 5. Education

Understand what specific knowledge is required for success by first understanding your client's unique situation; then facilitating informed

decisions by providing access to the right resources and explaining the relevant options and risks.

### 6. Partnership

Treat the arrangement as a partnership aimed at facilitating the best life possible. This entails working with clients not just for them, involving a full understanding of client background, philosophy, needs and objectives.

While these terms are not complicated, they are all focused on bringing something of real value to the relationship; rather than simply interpreting numbers and devising a financial plan. These qualities should underpin any agreement for wealth management or financial planning services with clients.

### Delivering the goods

If you can go through the above six areas, nod, and say that you are delivering on all these fronts, you're doing a great job for your clients. They should be generating a great ROL!

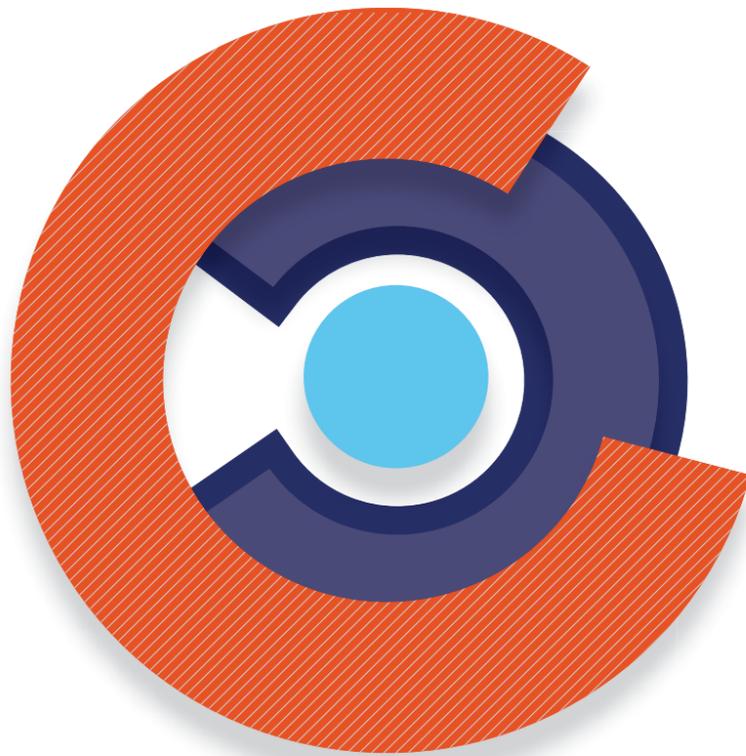
But our bet is that most financial and investment advisers are unable to focus their attention on much beyond the numbers. However detailed the analysis is and however impressive the numbers are, this doesn't always translate into the lifestyle that clients dream of.

To take this next step requires an understanding of the client's goals beyond purely return on investment; these are a little tougher to measure and quantify than the pure numbers – and not all advisers are well equipped to focus on them. It also requires digging a little deeper than the big picture to really understand the barriers and assist clients to work through the micro factors that are hindering the macro progress.

Clients who partner with planners for whom focusing on these areas is part of their modus operandi will see their investment success translate to a better 'return on life' too. 🍒

# 360 DEGREES

Do you see bookkeeping as an in-house offering or a specialist external offering?



**Cheryl Knight**

partner,  
Carbon Group



I think that the bookkeeping industry has changed a lot with the move from desktop accounting software to online. What we are finding now is that external bookkeepers can work remotely for clients but within a bookkeeping practice. They can quickly gain a very high knowledge level through that practice, which is often also aligned to an accounting firm. With that in mind I see outsourced/external bookkeeping as a higher quality product and more value for money than in-house where the bookkeeper will be working alone most of the time.

When a business is small and growing, business owners need a lot of advice. The business can't afford to pay a staff member and often don't know how to pay staff or run a payroll. They often lack the HR skills to fill an in-house position effectively. An outsourced bookkeeper will reduce costs through task speed and eliminating the need for staff amenities or desk space at the business.

When the business grows larger it can save time and money by continuing to engage an outsourced bookkeeper and employ a data entry clerk in-house that can feed information electronically to the outsourced bookkeeper. The final result being higher level monthly reporting at reduced costs.

I suppose the answer to this question depends on the range of knowledge and cash that is available to the owner within the business also. If there isn't a lot of financial experience in-house then the business owner should be supplementing with outsourced bookkeeping or move to an external bookkeeper to save costs and benefit from their experience.



**Cassandra Scott**

director,  
Laurus Bookkeeping



The bookkeeping industry has undergone significant change in the last seven years. With the maturation of the *Tax Agent Services Act (2009)*, to the uptake of cloud-based accounting solutions, the traditional bookkeeper now plays a significant role in supporting SMEs.

Both accountants and bookkeepers are far more connected to their clients than they have ever been, and this now drives the conversation around where the bookkeeping specialisation should reside – as an in-house offering or as a specialist external offering?

Many accounting practices are now offering bookkeeping services, often as a perceived loss leader to higher value tax compliance and advisory services. There are bookkeeping practices established across Australia (and overseas), with the agility to support clients on various software platforms, in various industries and diverse geographic locations.

Ultimately, it does not matter where the bookkeeping service is provided from. The key metric to success is that the provision of a bookkeeping service should be an enabler to the client – it should provide a value add to the ongoing success of the business, and should be about more than just the routine of data entry and mandated compliance.

The bookkeeping relationship should be about the development of a quality synergetic relationship between the client, and the client's other business advisers, to provide an ongoing framework for business review, guidance and success. Recognition and respect, and the willingness to collaborate on service delivery, is what is required between both accountants and bookkeepers in today's connected business environment.



**Rob Pillans**

founder,  
Planet Consulting



One of the frustrations regularly experienced by accountants is the poor quality of data provided to them for quarterly or annual work. Inevitably this slows down the completion of accounts, the lodgement of tax returns, BAS and advisory work. In some cases this leads to significant extra time being spent that the client has not been expecting and is reluctant to pay for. Sadly, this situation has often arisen because the bookkeeping is being done by someone who is well intended but out of their depth on some things. So transactions get mis-posted or ignored and they have to be corrected later on.

Contrast this situation to where the accountant has in-house bookkeepers who have been trained to ensure accurate posting. The accountants have identified the areas of concern for the bookkeepers so they know what to do in those situations. Having the bookkeeping as an in-house offering means that the bookkeepers have access to much broader and deeper expertise than if operating as a specialist external offering.

From the accountant's point of view there are a couple of key benefits of this arrangement. First, as noted above, the quarterly, annual (or even monthly) work being done by the accountant is completed more effectively and quickly. Second, the accounting firm has a much closer relationship with the client. The bookkeeper/s inevitably are working with the client on a much more regular basis than the accountants – it could even be daily.

In short, I believe the in-house arrangement delivers the best outcomes for both the client and the accountant. What's not to like?



**Clayton Oates**

founder,  
QA Business Pty Ltd



I believe the ultimate answer is – neither! By fixating on who's doing the work or where it's being done, could we be missing the more relevant point of why it's being done in the first place and how does the client benefit from a set of books that are real-time and accurate?

Bookkeeping has traditionally been one of the first tasks for small businesses to outsource once cash flow allows. When asking business owners where are they up to financially in their business I still often hear the response "I don't know, my accountant or bookkeeper handles that side of the business". It is concerning that this disconnect still exists and remains a challenge to solve.

Bookkeeping is an exact science and this is why machine learning and artificial intelligence have so much to contribute (and possibly disrupt) in the streamlining and assuring of the process. Technology has been viewed as the destroyer of roles, however could it be possible that it is really the enabler of deeper and more meaningful connection with clients that the accountant will benefit from by the bookkeeper initiating and activating?

Bookkeeping (like technology) isn't something that accounting firms can dabble in. I would encourage firms to continue to leverage technology and double down on what it means to be an adviser to business, this does perhaps require more effort than opportunistically taking on the bookkeeping role, however there is a significant and fulfilling upside to providing solutions that clients want, that you are uniquely positioned to provide, and they are willing to pay for.

# 2018 CHINA DELEGATION 10 – 15 JUNE

The 2018 China Delegation will be based out of the global financial hub of Shanghai and feature three days of seminars and site visits with the aim of providing delegates with the opportunity to become familiar with Chinese markets, identify potential business partners and to network with industry peers.

Expressions of interest are now open.

For more information or to nominate your intention, please email [JOANNA.SPENSLEY@PUBLICACCOUNTANTS.ORG.AU](mailto:JOANNA.SPENSLEY@PUBLICACCOUNTANTS.ORG.AU)



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### Unfinished business – time is running out on unpaid present entitlements

Since 2009 when the ATO changed its long-standing treatment of UPEs (known as unpaid present entitlements), Division 7A has been a work in progress



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### Now for the 'heavy lifting' with CGT relief

With lodgement of the 2017 annual return for most SMSFs imminent, now is the time to do the grunt work to make the irrevocable election, where appropriate, for transitional CGT relief for eligible funds



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### Whistleblower reform: what accountants need to know

Whether you are a tax accountant, auditor or delivering consulting services, the government's new whistleblower reforms may well impact you

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### Your pre-lodgement checklist for SMSF clients

With the introduction of the TBC and the importance of a member's total superannuation balance, getting the lodgement of the 2016/17 income tax and regulatory return is imperative

# Unfinished business – time is running out on unpaid present entitlements

Since 2009 when the ATO changed its long-standing treatment of UPEs (known as unpaid present entitlements), Division 7A has been a work in progress

by Tony Greco



**Tony Greco FIPA**, general manager of technical policy, IPA

**T**ax ruling TR 2010/3 which has been in effect from 16 December 2009 outlines the ATO's view that a UPE between a trust and a private company beneficiary is the provision of financial accommodation to the trust for the purposes of Division 7A and therefore could be taxed as an unfranked dividend in the hands of the trust.

In light of the significant ramifications of this change in heart, the ATO immediately issued PS LA 2010/4. Essentially PS LA 2010/4 assures taxpayers that the ATO would not apply Division 7A to UPEs that arose after 16 December 2009 where the funds representing the UPE are held on a sub-trust and the amounts held on the sub-trust are invested using one of the three investment options set out in PS LA 2010/4. Effectively, this allowed corporate beneficiaries of discretionary trusts to continue to loan trust distributions back to the trust for working capital purposes. Trusts cannot retain undistributed profits like a company can, and therefore it was quite common for a trust to have a UPE in existence to fund

an active business conducted in a trust structure.

Option 1 in PS LA 2010/4 requires that the sub-trust lends the funds representing the UPE to the trust under a documented legally-binding seven-year interest-only loan with the principal repayable at the end of the seven years. Many practitioners chose this option as it avoided making any principal repayments until the seventh year. These loans are now coming to the end of their seven-year life span. In many cases the trust would have difficulty repaying the principal in its entirety. The IPA raised this issue with the ATO who responded with a stop gap remedy namely PCG (practical compliance guideline) 2017/13. A PCG is a public statement on how the ATO can facilitate practical difficulties within the operation of the law by providing administrative solutions.

The ATO issued PCG 2017/13 in July 2017 which applies to a private company or trustee beneficiary of a sub-trust where the trustee:

- Validly adopted Option 1 under PS LA 2010/4 on or before 30 June 2011; and
- Does not repay the principal of

the loan when the loan matures in the 2017 income year or the 2018 income year.

The ATO states in PCG 2017/13 the following: *"The commissioner maintains the clear expectation that this term of the investment agreement be met and that the principal of the loan, entered into under investment Option 1, must be repaid at the end of the loan term."*

*If the trustee fails to meet this term of the investment agreement, when an investment Option 1 matures in the 2017 income year or 2018 income year, any unpaid principal of the loan will be treated by the commissioner as the provision of financial accommodation and therefore a Division 7A loan.*

*If all, or part, of the principal*

*of the loan is not repaid on or before the date of maturity, the commissioner will accept that a seven-year loan on complying terms in accordance with section 109N may be put in place between the sub-trust and the private company beneficiary prior to the private company's lodgement day. This will provide a further period for the amount to be repaid with periodic payments of both principal and interest."*

PCG 2017/13 provides taxpayers an extension of the term of such loans for a further seven-year period.

"However, if such a seven-year loan on complying terms in accordance with section 109N is not put in place between the sub-trust and the private company beneficiary prior to the private

company's lodgement day, a deemed dividend will arise at the end of the income year in which the loan matures." Whilst PCG 2017/13 provides relief, there is a proviso. If there is evidence that there has never been an intention

to repay the loan principal at the end of the seven-year Option 1 arrangement, the commissioner can go back and deem a dividend in the income year in which the provision of financial accommodation originally arose.

INVESTMENT OPTION 1 NOT REPAID ON MATURITY (30 JUNE 2018)	
30/06/2010	Private company becomes presently entitled to an amount from an associated trust.
30/06/2011	The trustee decides to put the UPE on a sub-trust using Investment Option 1.
30/06/2012 <sup>a</sup>	Liability to pay interest for the first year to the trustee of the sub-trust arises.
30/06/2018	Repayment of the principal of the loan and final interest must be made by this date. Failure to repay the principal by this date amounts to the provision of financial accommodation and therefore a Division 7A loan.
15/05/2019 <sup>b</sup>	The trustee of the sub-trust must enter into a seven-year complying loan agreement by the private company's lodgement day. Failure to do so results in a deemed dividend arising in the 2018 income year.
30/06/2019	Liability to make the first minimum yearly repayment to the private company under the seven-year complying loan arises.

<sup>a</sup> Date may be different if the main trust has an approved substituted accounting period  
<sup>b</sup> Date may be different depending on the lodgement day of the private company's tax return



PCG 2017/13 provides an important one-off stop gap solution for loans maturing under Option 1 in the 2017 and 2018 income years only. It is unclear whether the ATO will extend the concession to option arrangements that mature later than 30 June 2018 or Option 2 arrangements that mature in 2020 or 2021 being the first years that repayments of those arrangements fall due.

The Board of Taxation made a number of recommendations in its post implementation review of Division 7A back in 2014 to the government. The Board of Taxation in its review acknowledged that UPEs provide a significant source of funding used by business taxpayers for working capital purposes. Most in the tax profession believe the government will accept some of these recommendations as the way forward to resolving the long-standing UPE issue. The Board of Taxation proposes a single compliant loan with a duration of 10 years and better aligning calculation of the minimum interest rate with commercial transactions. The single compliant loan however, would not only extend to post-16 December 2009 UPEs, but also to UPEs from before that date and loans that arose from before 4 December 1997 to which Division 7A does not apply.

At the time of writing we await the proposed changes that are meant to take effect from 1 July 2018. The timetable to the left outlines what the government has committed to in the 2016 federal budget. In the meantime, taxpayers will need to rely on PCG 2017/13 if loans fall due before 30 June 2018 and there is no capacity to repay such loans. ☹

# Now for the 'heavy lifting' with CGT relief

With lodgement of the 2017 annual return for most SMSFs imminent, now is the time to do the grunt work to make the irrevocable election, where appropriate, for transitional CGT relief for eligible funds, if you haven't already

by Colin Lewis



**Colin Lewis**  
Head of strategic advice,  
Perpetual Private

Most SMSF members impacted by the introduction of the transfer balance cap (TBC) on 1 July 2017 are eligible to apply the CGT relief if they simply meet the requirements of PCG 2017/5 by 30 June 2017.

This allowed members with more than \$1.6 million in retirement (pension) phase to deal with the excess via a written request to the trustee and trustee acknowledgement with the actual commutation being processed at the time of preparing the fund's financial statements and annual return.

Here's a brief recap, looking at some tips and traps.

## Eligibility

- There must be a clear connection with the objective of CGT relief, i.e. to comply with the TBC, or there must be a transition to retirement pension (of any value).
- Applies only to assets held continuously from 9 November 2016 and 30 June 2017.
- Must make an irrevocable election in the fund's 2017 annual return – thus, the reason for this recap now.

Also, assets on which CGT relief is applied must be subject to CGT. Assets taxed on revenue accounts such as

those classified as traditional securities are not eligible to have relief applied.

Be aware, the ATO may apply anti-avoidance provisions of Part IVA to trustees abusing CGT relief.

It's critical to know the fund's method of determining its exempt current pension income as at 9 November 2016 as it determines the approach used to apply CGT relief.

## Segregated method

This is where a fund was entirely in pension phase, or in both pension phase and accumulation phase with formal segregation of assets.

To qualify, the segregated pension asset on 9 November 2016 must have ceased to be segregated before 1 July 2017. An asset ceased to be segregated when:

- the pension was partially or fully commuted back to accumulation phase, noting PCG 2017/5 discussed above – thus, a fund is ineligible for CGT relief where the trustee failed to commute the pension before 1 July 2017 to comply with the TBC, or
- a contribution was made to a fund fully in pension phase and there was no formal segregation of that contribution.

With the segregated method, there are two options to qualify for CGT relief.



**1.** Asset(s) reallocated from pension phase to accumulation phase and segregation continued (to 30 June 2017). In this case, CGT relief applies only to the asset(s) reallocated.

**2.** Adopt the proportionate method. This may be more appealing as it allows CGT relief to be applied to all assets that ceased to be segregated current pension assets.

The deemed sale and repurchase at market value occurred immediately before the asset ceased to be a segregated current pension asset, i.e. just before the asset was reallocated from pension phase to accumulation phase (option 1), or the proportionate method applied (option 2). Either way, any resulting gain (or loss) is disregarded as the asset was a segregated current pension asset at the time of deemed disposal.

With the segregated method, you are generally better off applying CGT relief to assets with unrealised capital gains. However, be mindful with the cost base reset that the acquisition date for the 12-month holding period for CGT discount is also reset.

So, if the asset has been sold since it ceased to be a segregated current pension asset, or will be sold within 12 months of that date, consider the loss of the discount on the capital gain before applying CGT relief.

## Example

On 1 July 2016, Don (63) and Eva (62) had account-based pensions (ABPs) in their SMSF of \$2.3 million and \$1.2 million respectively.

On 1 March 2017, Don made a \$540,000 non-concessional contribution (NCC) while still eligible. He immediately commenced a second ABP to

take advantage of the tax-free pension environment until 30 June 2017.

On 30 June 2017, Don fully commuted this ABP and partially commuted his first ABP to meet the TBC.

Assuming the NCC was not formally segregated and fund assets were held continuously from 9 November 2016 to 30 June 2017, the cost base reset of relevant fund assets must be done on 1 March 2017 (or earlier, but not before 9 November 2016). This is because the segregated current pension assets at 9 November 2016 ceased to be segregated on 1 March 2017.

## Proportionate (unsegregated) method

This is where a fund was in pension phase and accumulation phase with no formal segregation on 9 November 2016.

Here, CGT relief can apply to any or all fund assets provided they were not segregated

current pension assets at any time between 9 November 2016 and 30 June 2017. Thus, a fund is ineligible for CGT relief if it moved entirely into pension phase during this period.

With the proportionate method, the deemed sale and repurchase at market value occurred on 30 June 2017, regardless of when the pension was actually commuted. The deemed sale triggers a notional capital gain (or loss), part of which is assessable. This notional capital gain is brought to account in 2016-17, or an irrevocable election can be made to defer it until the year the asset is actually sold.

The gain carried forward is the net capital gain otherwise included in the fund's assessable income ignoring any current year capital gains or losses, or prior year unapplied capital losses. The deferred notional gain, ignoring losses, is reduced by both the 1/3 CGT discount (if eligible) and the applicable pension exempt proportion. The deferred gain is then brought to account in the year of actual sale.

Importantly, you must maintain accurate records if deferring.

Deciding to apply CGT relief can be complex, as you need to compare the fund's tax exempt proportion in 2016-17 to the likely tax exempt proportion in the future when the asset is sold.

If it is likely to reduce – e.g. a new member joins in accumulation phase – you are generally better off applying CGT relief on assets with unrealised capital gains as it resets the cost base to market value and locks in assessable gains based on the higher exempt proportion applying in 2016-17.

However, if it's likely to increase – e.g. member retires and starts a pension – the fund may be better off not applying CGT relief.

If a capital loss is triggered, the deemed loss is not disregarded and is brought to account in 2016-17, unlike with segregated funds. So, consider the current benefit of applying the deemed loss to reduce any realised capital gains now compared to the potential cost of having a larger capital gain in the future. Conversely, crystallising the loss now when the fund has a higher pension exempt proportion reduces the benefit of the loss, compared to realising the loss in the future when the fund is subject to higher tax by virtue of the reduced balance in retirement phase.

## Unit trusts trap

CGT relief applies to the cost base of units held by an SMSF in a unit trust only and not to the underlying assets of the trust. Thus, there can be a 'CGT relief mismatch'.

For example, on 1 July 2010, a 13.22C trust was established to buy a \$750,000 commercial property. An SMSF acquires units in the trust along with the fund member.

The SMSF progressively acquires the member's units – financed via contributions over the years – and ends up owning 100 per cent of the units.

On 30 June 2017, the property is valued at \$1 million.

If CGT relief applies, the cost base of the units is reset to \$1 million. However, the cost base of the property remains at \$750,000. Subsequently, the property is sold and the \$250,000 capital gain is distributed as trust income to the SMSF and is assessable.

A solution, if practicable, may be to wind up the trust in the same financial year and offset the capital gain with the capital loss on cancellation of units, i.e. \$750,000 – \$1 million = (\$250,000). ☺

# Whistleblower reform: what accountants need to know

From time to time, some of us accountants find ourselves on the receiving end of confidential disclosures in relation to our clients. Whether you are a tax accountant, auditor or delivering consulting services, the government's new whistleblower reforms may well impact you

by Lauren Witherdin



▶ **Lauren Witherdin**, director, KPMG Forensic

On 7 December 2017, the Turnbull government introduced a bill which would significantly reform Australia's private sector whistleblower laws. The bill, if enacted, amends the Corporations Act 2001 and the Taxation Act 1953 to improve Australia's corporate and tax whistleblower protections. The government's regulatory impact statement on the bill indicates that the reforms may lead to greater whistleblowing activity resulting in the early detection of illegal acts, misconduct and breaches of tax law. The amendments would apply to disclosures made on or after 1 July 2018.

In Australia, private sector whistleblower protections are considered to be inadequate, and well behind the public sector and leading international practices. In recent times, the media has reported a number of examples of whistleblowers who have exposed wrongdoing at great personal and financial cost. Some of these whistleblowers report that they have been isolated, mistreated and victimised, suffering detrimental impact years after their disclosure has been investigated.

Under current laws there is no protection available for anonymous whistleblowers. What's more – the parliamentary joint committee into whistleblowing (2017) found that “whistleblower protections remain largely theoretical with little practical effect in either the public or private sectors”.

The whistleblower reforms have been introduced to provide additional protection for corporate and tax whistleblowers, including those wishing to be anonymous. The reforms, if enacted, may also encourage the Australian business community to assess corporate governance frameworks, and to take stock of current whistleblower practices and procedures in a bid to expose corporate wrongdoing.

### The role of accountants in whistleblowing

For accountants, whistleblowing includes additional layers of complexity. Under the amendments, not only would we be a potential “eligible recipient” or “discloser” within our own organisation (the same as anyone



else), but we may also find ourselves on the receiving end of disclosures regarding a client's conduct. The bill specifically allows for protected disclosures to be received by tax accountants and auditors of regulated entities and superannuation entities. If the bill is adopted, accountants will need to become familiar with its requirements, or risk facing penalties for potential inadvertent breaches.

### What are the key changes?

The bill is set to change private sector whistleblowing as we know it in Australia. If the bill becomes law in its current form, here are the key changes, accountants would need to know:

**1. Whistleblowers:** A broader group of persons will be eligible for protection. This will include former officers, employees, contractors and suppliers as well as associates and family members of these individuals.

**2. Reportable conduct:** A broader category of disclosures will be covered, including “misconduct, or an improper state of affairs or circumstances” at the company. This removes the uncertainty many whistleblowers experience in having to determine whether their disclosure is eligible for protection on the basis of contravening specific laws. However, it may also increase the compliance burden on companies who can expect to face more disclosures, some of which may be frivolous or vexatious.

**3. Anonymity:** Anonymous disclosures will be allowed for the first time. This means that companies should ensure they have appropriate procedures in place for managing anonymous disclosures. This is critical to ensure that an anonymous disclosure provides all the necessary information required to allow investigation of the concern, and ideally ongoing communication

should be facilitated with the anonymous discloser.

**4. Eligible recipients:** Whistleblowers will be able to disclose to a wider range of persons. This includes their manager or supervisor, an officer of the company or their auditors as well as a third party authorised by the company. Disclosures can also be made to the media and members of Parliament where certain strict criteria are met.

**5. Immunity:** Immunity will be available to whistleblowers in respect of information that they disclose. Eligible whistleblowers are protected from civil, criminal and administrative liability in relation to a disclosure that qualifies for protection.

**6. No “good faith”:** There will no longer be a requirement for whistleblowers to make a report “in good faith”. This will be replaced by the need to have “reasonable grounds” to suspect

misconduct or an improper state of affairs or circumstances.

**7. Whistleblower policy:** All public companies, large proprietary companies and proprietary companies that are trustees of registered superannuation entities must have a whistleblower policy in place. Those who fail to do so will face a penalty. The policy must set out appropriate internal reporting channels.

**8. Confidentiality:** Accountants should be aware that significant penalties will apply to individuals and companies who reveal a whistleblower's identity without consent. A company could be ordered to pay a fine of up to \$1 million, or an individual up to \$200,000 for disclosing the identity of a whistleblower, or information that is likely to lead to the identification of the whistleblower. There is no requirement that the disclosure be intentional, so even accidental disclosures (such as a misplaced document or an e-mail that goes astray) could lead to heavy fines.

**9. Compensation:** Compensation may be easier for whistleblowers (and others) to access.

*i.* The court may award financial compensation as well as other remedies such as reinstatement of employment. The bill also allows the court to order exemplary damages. It's not just whistleblowers who can access this compensation but also individuals who are suspected of making a disclosure, or who propose to make, or could make a disclosure.

*ii.* In these claims, the onus of proof is reversed. This means that a company that has caused damage to a whistleblower must prove that they were not motivated by the fact that a disclosure was made.

**10. New tax regime:** A separate tax regime will be introduced

to provide protections for whistleblowing on tax matters. The tax whistleblower regime covers any disclosure to the Commissioner of Taxation which would assist him in carrying out his duties. It also covers disclosures to other eligible recipients where the whistleblower has reasonable grounds to suspect misconduct or improper circumstances in relation to the entity's tax affairs.

Our experience shows that whistleblowers will be more likely to come forward if there is a proper internal process in place that they know about and can trust. Whistleblowers should have a variety of avenues with which to raise concerns, including telephone, web and email. Better practice is to have an anonymous reporting avenue that is available 24/7. Many organisations use an independent external hotline service as a key part of their whistleblower program.

### Are you and your clients ready?

Now is a good time for organisations to consider internal whistleblower policies and procedures in preparation for the new legislation, due 1 July 2018.

- Some questions to consider:
- Do you have a whistleblower policy in place that is well communicated and understood?
  - Do you have processes in place to facilitate anonymous reporting?
  - Do you have processes in place for protecting whistleblowers and responding adequately to disclosures?
  - Have key senior management personnel been provided with training to respond appropriately to disclosures? ⓘ

# Considerations for accountants around the new corporate tax rate

Accountants will be kept busy in coming months with the recent changes to Australian company tax rates – which came into effect on 1 July 2017. The new company tax rate and tax ruling opens the way for tax refunds for many small investment companies

by Lance Cunningham

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▶ **Lance Cunningham**, national tax director, BDO

**T**he new tax law ensures that a company will not qualify for the lower company tax rate of 27.5 per cent if more than 80 per cent of its assessable income is passive income. However, the amendment only applies prospectively from the 2017/18 income year, which differs to the 1 July 2016 start date in the exposure draft law.

This, combined with a new draft tax ruling, indicates that many small passive investments companies, whether or not its passive income is greater than 80 per cent of its assessable income, will be entitled to the 27.5 per cent tax rate for the 2016/17 income year and 28.5 per cent tax rate for the 2015/16 income year. Where these companies have paid tax at the 30 per cent rate, they may be entitled to claim a refund of the extra tax paid. Where their tax returns for these years have not yet been lodged they should ensure their tax returns show they are small business entities to ensure they are taxed at the lower rates.

Accountants need to use

caution as the change in the tax rate for these companies may also affect the franking credits available for dividends that were paid in the 2016/17 income year.

## Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017

The Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 (new law) was introduced into the House of Representatives on 18 October 2017 and will amend the current tax law to ensure that from 1 July 2017 a company will not qualify for the lower company tax rate of 27.5 per cent if more than 80 per cent of its assessable income is passive income (such as interest, dividends or royalties). This is a 'bright line' test that will replace the previous requirement that a company be 'carrying on a business'.

Small-to-medium sized companies will have to deal with three different sets of rules to determine their eligibility for the lower company tax rate and the rate of franking for dividends over the 2015/16, 2016/17 and 2017/18 income years.



This is a result of the introduction of tax legislation changing the rules for the 27.5 per cent tax rate from 1 July 2017 and the ATO simultaneously releasing a draft ruling on when a company is considered to be carrying on a business.

This means there will be some companies that were previously entitled to the lower tax rates for the 2015/16 and/or the 2016/17 income years but will now not be entitled to the lower tax rates for the 2017/18 year where they qualify as carrying on a business but don't qualify under the new passive income test. It may also go the other way for some companies that are not carrying on a business but qualify under

the passive income test so they become entitled to the lower company tax rates for 2017/18 but not for the earlier years.

## New 'base rate entity passive income' definition

The amendments to ensure a corporate tax entity will not qualify for the lower company tax rate if more than 80 per cent of its assessable income is of a specifically defined 'passive' nature. This new concept of 'base rate entity passive income' (passive income) includes, among other things, portfolio dividends (dividends on shares with less than 10 per cent voting interest), franking credits attached to portfolio dividends, net capital

gains, rent, interest, royalties, and certain amounts that flow through a partnership or a trust (to the extent that it is attributable to an amount of passive income).

## Non-portfolio dividends

The definition of 'base rate entity passive income' includes dividends from a company other than non-portfolio dividends (within the meaning of section 317 of the ITAA 1936), which is a dividend paid to a company where the company has at least 10 per cent of the voting power in the company paying the dividend. However, there is no tracing through to the type of income received by the dividend paying company so that all non-portfolio

dividends will not be treated as passive income even if they are paid out of the passive income of the dividend paying company. Therefore, where a dividend is received by a trust and then distributed to a company it appears that dividend will not be able to be a "non-portfolio dividend" even if the trustee holds 10 per cent or more of the voting power. This is because the definition requires the dividend to be paid to a company by the dividend paying company. It is not clear whether this is the intention of Parliament because there are comments in the explanatory memorandum to the new law that indicates that a trust can receive a non-portfolio dividend.

## Rent and royalties

The definition of passive income in the new law includes interest income, royalties and rent. There are existing provisions that ensure that interest derived by an entity that is from the 'active conduct of a business' or banking business or money lending business will not be treated as passive income. However, it appears that the same exclusion does not apply to rent or royalties that come from the active conduct of a business. Therefore, under the changes in the new law, rent and royalties will constitute passive income irrespective of the extent of activities that would otherwise point to an active business i.e. companies which are in the business of actively deriving rent and royalties will be considered passive investment companies.

## Aggregate turnover hurdle

In determining whether a company is entitled to the 27.5 per cent tax rate, its 'aggregate turnover' must be less than the 'annual aggregate

turnover threshold' (\$10 million for 2016/17) which includes the annual turnover of the company and its connected entities. Following the release of the draft ruling on companies carrying on a business, many companies and their connected entities will now have to recalculate their aggregate turnover to include 'passive income' in their business income, which may result in them being over the aggregate turnover threshold. This is an issue for entitlement to the lower company tax rates for all of 2015/16 and 2016/17, 2017/18 and future years. These companies may also have to reconsider their entitlement to the other small business entity concessions (including the small business CGT concessions and the under \$20,000 asset write-off etc.) for previous, current and future years.

## Prospective amendment going forward

The amendments introducing the passive income test for the 27.5 per cent tax rate will apply prospectively from the 2017/18 income year; whereas for the 2015/16 and 2016/17 income years the carrying on a business test is still the relevant test to qualify for the 27.5 per cent tax rate (in addition to the relevant aggregate turnover test for the year). Given the ATO's view on companies carrying on a business, there may be some that have lodged their 2015/16 and/or 2016/17 income tax returns that did not lodge as a small business entity because it was considered not to be carrying on a business but can now ask for amended assessments at the lower tax rates for those years. Where companies have not yet lodged their 2016/17 tax return they can now confidently lodge tax returns as small business entities. ☺

# Your pre-lodgement checklist for SMSF clients

With the introduction of the transfer balance cap and the now critical importance of a member's total superannuation balance, getting the lodgement of the 2016/17 income tax and regulatory return is imperative

by Tim Miller



**Tim Miller,**  
founder,  
Miller Super Solutions

**T**here are some one-off elements that need to be factored into this year's lodgement that make it easy to forget, or give less consideration to, than other obligations the fund might have. The following checklist identifies the key issues that an SMSF needs to contemplate prior to lodging the annual return for 2016/17.

### Reconcile all 2016/17 transactions

This might seem an obvious statement but it is important that all transactions are reconciled appropriately. The ATO has noted in its 'Super Changes - Frequently asked questions' document, a number of key issues that are linked to member balance and asset valuations which are covered throughout this article.

Two of the key elements in reconciling the transactions at year-end are directly related to the member's interests in the fund:

- Allocation and nature of contributions; and
- Allocation of pension payments.

### Contributions

Contributions made up to and including 30 June 2017 will impact on a member's total superannuation balance. It is important to reconcile contributions as they will not only

impact on what the member's balance is but also on how much the member might be able to contribute in the future.

### Concessional contributions

Given that 2016/17 is the final year where a member is required to satisfy the substantially self-employed rule, more commonly referred to as the 10 per cent test, the acceptance and acknowledgement of a section 290-170 (ITAA 1997) notice of intent to claim a personal deduction is critical. As has always been the issue with these notices of intent, was the actual ability for the member to claim what they request to claim. Whilst this problem subsides with the collective ability for all to claim deductions from 1 July, ensuring the notices are correct in 2016/17 is nonetheless important.

Further to this is the use of contribution reserves, usually linked to a member doubling up on their contributions to increase the value of a deduction, whilst avoiding excess contributions. Historically, these reserves have created end of year problems as they have been incorrectly reported. It is important to allocate the entire contribution to the appropriate member and then lodge a request with the ATO to reallocate the contribution to the

following year. Two things become apparent from this strategy, the first is that bringing forward a future year's contribution will increase the member's total superannuation balance 12 months earlier and the second is that the reduction in the concessional cap could result in overcontributing.

### Non-concessional contributions

Whilst concessional contributions create taxation issues which will impact the fund and the member's returns, non-concessional contributions need to be reconciled because of the impact the total superannuation balance has on a member's ability to contribute post 1 July.

Not only is the ability to make non-concessional contributions linked to the total superannuation balance at the previous 30 June, but there are also pre-30 June 2017 bring-forward triggers to consider. If a member made non-concessional contributions prior to 30 June 2017 that were greater than the cap of \$180,000 then this will impact how much can be contributed after that date.

### Pension payments

Everyone paying a pension is required to meet a minimum obligation. Beyond that there are a number of factors to determine who and how additional benefit payments are allocated. Excluding requests to take a lump sum, it is important to ensure the pension allocations made across the year are done on the most tax-effective manner. For members under the age of 60 there is the added requirement to withhold PAYG tax but we can assume these members have already reconciled as the tax will have already been withheld and remitted.

For those members over 60, how pension payments are allocated in 2016/17 could have an impact on the transfer balance



cap and perhaps whether the member has a requirement to partially commute or not.

That leads directly into one of the one-off requirements for 2016/17, commutation requests and implementation.

### Commutation requests

Prior to 1 July it was important for a fund to receive a request from the member to commute any pensions, as nominated, to ensure compliance with the transfer balance cap. It was also a requirement to acknowledge the request. Whilst not directly related to fund lodgement, it is important that funds now follow through with these requests, so they can proceed to reporting against the member's transfer balance account.

### Administrative checklists

Beyond the requirements to determine the nature of physical transactions that occurred are the annual requirements of the fund, both ongoing and one-off.

### Asset valuations

As part of the reconciliation process, asset valuation is going to be one of the more highly scrutinised areas of the fund accounts. A review of the current valuation guidelines published by the ATO is recommended to all. Asset valuation is twofold in 2016/17 as it impacts on the member's balance which flows through to the transfer balance cap obligations, but it is also the catalyst for capital gains tax relief.

### CGT relief

CGT relief decision time is now. If an SMSF was paying a transition to retirement income stream (TRIS) or a member had more than \$1.6 million in an account-based pension, now is the time to make a decision, if one hasn't already been made.

This is why correct asset valuations are important and in line with the ATO guidelines. By reconciling fund transactions and applying appropriate

valuations, a fund is now ready to review its unrealised capital gains tax position to determine whether to apply CGT relief. If CGT relief is to apply then the fund needs to ensure that it makes the appropriate election, but just as important is to ensure that it updates the cost base information and records any deferred tax liability for when the asset is eventually sold, if the proportionate approach was taken.

The CGT election and member commutation requests are exclusive to the 2016/17 year, the commutation request is mandatory for those with a transfer balance cap issue, and CGT relief is not compulsory.

### Distributions and franking credits

One of the considerations raised by the ATO is how distributions and franking credits impact a member's

balance and the asset valuations. Particularly in light of CGT relief, any investment that has the distribution bought into account at 30 June needs to ensure that for valuation purposes it is recorded at ex-distribution price, otherwise the value of the asset is incorrectly inflated.

Similarly, the tax reconciliation needs to occur as franking credits will be distributed proportionally which will be an impact issue for a member's total superannuation balance.

### Actuarial certificates

Another important issue is the actuarial certificate, particularly with all of the focus on TRIS no longer being entitled to a tax exemption on the earnings. That only applies from 1 July 2017. All TRIS and account-based pension paying funds that had accumulation interests need to obtain an actuarial certificate, unless segregation applied. The timing of CGT relief may also impact upon actuarial requirements. Actuarial certificates are required prior to lodging a return.

### Post-lodgement reporting

Once the 2016/17 return is audited and lodged additional reporting requirements will exist for pensions in place at 30 June 2017, all transfer balance account reporting is due no later than 1 July 2018. Any pension commencement undertaken since 1 July also has an extension until that date with an additional extension until 2017/18 lodgement for SMSFs with pensions under \$1 million.

It's important to understand all of the obligations in place for 2016/17 and that many of them don't cease with the lodgement of the return. ☺

# Register of members

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

## Admitted as AIPA

### New South Wales

Sultana Afroz  
Steven Andrit  
Syed Azad  
Orkun Celebi  
Cecilia Chi  
Hau Wing Chu  
Jean Desire Chue Him  
Jean Laval Chue Him  
Jennifer Clachers  
Jonathon Devitt  
Racha El Mir  
Houssam Eljerban  
Matthew Groznik  
Mandeep Gupta  
Robby Kosasih  
Timothy Leung  
Darshan Patel  
Philip Penklis  
Harshana Sanjeeewa Ranasinghe  
Arachchige  
Brett Strong  
Liam Summerhayes  
Helen Town

### Victoria

Bibi Banee  
Andreas Bougioukos  
Sean Bourke  
Daniel Cassells  
Dara Chheang  
Ben Davies  
Ivana Djurdjevic  
Gurveen Kaur  
Xiao Yan Li  
Brooke Lykopoulos  
Luay Mansour  
Sharookh Merchant  
Bailey Michel  
Nick Noutso  
Panth Patel  
Thai Pham  
Kithmin Ranamukhaarachchi  
Blair Sanderson  
Jeremy Seneviratne  
Chelsea Sequeira  
Radhika Shukla

Robinpreet Singh  
Waseem Sohail  
Alice Tai  
Mark Tandiono  
Kate Van Meurs  
Martina Yang

### Queensland

Salman Aziz  
Andrijana Begic  
Ruaidhri Carslake  
Tsz kin Chak  
Renee Cooper  
Dane Crandon  
Predrag Draskovic  
Lauren Gregory  
Jun Huang  
Jaiden Kim  
Donna LeGear  
Nadia Linnane  
Audrey Mahon  
Christopher Marrinan  
Elizabeth McFarlane  
Damien Morris  
Boul Shan  
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### South Australia

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Behdad Fahimnia  
Davinder Johal  
Mark Passelli  
Yen Tran  
Dinesh Yogi

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Danny Coyne  
Yeva Gibson  
Katrina Houlbrook  
Tony Huang  
Lalaine Ladores  
Lachlan Salt  
Sean Sibly  
Douglas Smith  
Narelle Wilson

## Australian Capital Territory

Hasan Shafi

### Malaysia

Mary Lee Siew Cheng

### Overseas

Fritzie Aquino  
Marc Desjardins  
Sanjay Sah

### China

Gao Chenyang  
Zhao Yanyu

## Admitted as FIPA

### New South Wales

Gary Au-Yeung  
Michael Hadley

### Victoria

Nick De Francesco

### Queensland

Alan Baker  
Mark Wright

### South Australia

Andrew Green

### Western Australia

Hilton Bradford  
Howard Shepherd

### Overseas

Mukesh Hansraj Radia  
Ashok Kumar

### China

Fan Wenji  
Liu Panlong  
Meng Xiaoting  
Wang Shuwei  
Xu Yunhui  
Zhang Wei  
Zhu Linlang

## Admitted as MIPA

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Thomas Begeng  
David Bicket  
Sandra Caves  
Ralph Clark  
Carl Fenton  
Sandra Galea-Bunney  
John Garis  
John Gigis  
Megan Goodwin  
Michael Grasso  
Daniel Hawryluk  
Kellie Howell  
Kyle Jenkins  
Melissa Kennedy  
Ekaterini Kountouropoulos -  
Hatzakos  
Rajnish Kumar  
Suresh Kumar  
Molly Lee  
Tian Li  
Xiang Liu  
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Sharon Lundie  
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David Rundle  
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Colin Roberts  
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Adrian Hanrahan  
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Sarabjeet Singh

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Ming Gu  
John Jeffreys  
Vivien Kerk  
Yantao Li  
Jennifer Marinakis  
Ghulam Memon  
Nicholas Pagounis  
Tu Long Quach  
Nhu Tran

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Wee Yeong Lee  
Michele Rawlins  
Muhammad Subhan

### Tasmania

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Sarabjeet Singh

### Australian Capital Territory

Stuart Peterson

### Malaysia

Au Siew Ching  
Kuo Wui Shiu  
Liew Ken Yew  
Liew May Ann  
Lor Mak Kent  
Wai Keun Chat  
Bee Ching Lew  
Sook Hooi Looi  
Connie Xue Yee Ng  
Qian Hui Ng  
Poh Hong Ong  
Sze Ying Ong  
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Ahmad Razli Sabri  
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Wai Shing Steven Ho  
Po Chuen Lu  
Siu Long Chris Lee  
Sui Ching Leung  
Jia Rui Li  
Kim Ming Lui  
Wai Man Wilma Tam  
Ka Lee Carrie Wong  
Yiu Bong Anthony Yeung  
Sui Sun Samuel Yu

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Arslan Akbar  
Ali Alsalmán  
Zeeshan Arif  
Muhammad Asad  
Zafar Ali Aziz  
Muhammad Awais Bakhtiyar  
Muhammad Behzad  
Rajan BM  
Renuka Chellani  
Zeeshan Dawood  
Sridevi Eaganathan  
Shabad Edakkottu  
Badar Ul Hassan  
Sikander Hayat  
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Irfan Ishaq  
Muhammad Ishtiaq  
Sanoof K Edakkatu  
Jagath Premalal K. Baduge  
Sailaja Karnam

Hoi Yan Law  
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Saba Munawar  
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Steve Jackson Ndehe  
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Prakash Parnami  
Ali Naeem Puri  
Atif Allah Rakha  
Shahanur Rashid  
Mohamed Shazyan Rizvi  
Mohamed Siraj Safeer  
Waqar Satti  
Faheem Shaukat  
Waqas Anwar Sheikh  
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Sudha Sruthi Sodisetty  
Abul Kalaam Azad Sulthan  
Syed Ali Shahzad Syed  
Tamer Taha  
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Bi Hongwei  
Bi Shengting  
Cai Baorui  
Cai Qin  
Cao Wanhua  
Cao Yan  
Cao Yu  
Chan Pak Fai  
Chen Changmei  
Chen Chao  
Chen Chen  
Chen Chunlan  
Chen Fungmei  
Chen Huabin  
Chen Huan  
Chen Jiani  
Chen Jie  
Chen Lidingding  
Chen Rui  
Chen Xiaoping  
Chen Xiaoying  
Chen Xingyu  
Cheng Dan  
Cheng Rong  
Ding Ninglan  
Ding Xueqing  
Fan Chang  
Fan Yuhong  
Feng Xue  
Gao Chan  
Gao Feng  
GAO Zhen  
Gong Qiufeng  
Gu Jinxin  
Gu Li  
Gu Xiaohong  
Gu Yunlan

Guan Jianqing  
Guo Yu Qiong  
Hai Rui  
Han Cheng  
He Jinlong  
He Junxi  
He Yi  
Hong Wenbin  
Hu Shanggang  
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Ji Keren  
Ji Lei  
Ji Xiaolu  
Jiang Cheng  
Jiang Lili  
Jin Chenglai  
Kang Yumin  
KONG Deqian  
Kuang Liuji  
Kuang Pengliang  
Lai Junhui  
Li Aimin  
Li Changrong  
Li Hongyan  
Li Jiaju  
Li Jie  
Li Liping  
Li Na  
Li Qingran  
Li Ruanling  
Li Shaoyi  
Li Wanming  
Li Wenjing  
Li Xia  
Li Zan  
Liang Liyan  
Lin Dingjie  
LIN Jinfeng  
Lin Kang  
Lin Yanfang  
Liu Guangquan  
Liu Hao  
Liu Huan  
Liu Jianyun  
Liu Na  
Liu Qi  
Liu Qingyuan  
Liu Shuhui  
Liu XIAOJING  
Liu Yanfen  
Lu Haiping  
Lu Jieping  
Luo Jiaqi  
Luo Minghui  
Luo Zhihui  
Lv Xiaojuan  
Lv Zhan Li  
Ma Jun

Ma Ruihong  
Meng Meng  
Meng Yu  
Mo Jiayi  
Ng Mandy Wan Yee  
Pan Jing  
Qi Minyan  
Qian Ya  
Qin Ming  
Qiu Tingyu  
Shang Gongquan  
Shen Jie  
Shi Hong  
Shi Xiaohui  
Song Jiayi  
Song Xiangkun  
Song Yandi  
Su Xiaodan  
Sun Dan  
Sun Jinlei  
Sun Jinwei  
Sun Liping  
Sun Yukun  
Tang Jing  
Tu Yanliang  
Wan Fang  
WANG Chenyu  
Wang Chunbo  
Wang Dan  
WANG Hong  
Wang Jia  
Wang Jie  
Wang Jinxin  
Wang Lei  
Wang Shengyan  
Wang Shujian  
Wang Tao  
Wang Xiaoning  
Wang Yachun  
Wang Yewei  
Wang Yinting  
Wang Yunhong  
Wei Yunling  
Wen Liya  
Wu Chenghao  
Wu Jiawang  
Wu Liancai  
Wu Minting  
Wu Yongyi  
Xie Bishan  
Xie Dan  
XIE Jinwen  
Xie Xiaoli  
Xing Lihong  
Xing Liwen  
Xiong Chao  
Xu Bing  
Xu Donglan  
Xu Hanqin  
Xu Hongyun  
Xu Qian  
Xu Qin  
Xu Weina  
Xu Wenhua



### Head Office

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Fax: (08) 9474 2911  
Email: wadivn@publicaccountants.org.au

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## Register of members

Xu Xinsheng  
Yan Dongdong  
Yan Xiaobo  
Yang Daxiang  
Yang Jianhui  
Yang Wenhai  
Yao Jun  
Yao Wei  
Yao Wenzhen  
Yin Baoling  
Yin Li  
Yu Suya  
Yu Yaojun  
Yu Yueyang  
Yuan Chang  
Yuan Jiahong  
Yuan Xiaobin  
Zeng Jiabin  
Zhan Peixun  
Zhang Bin  
Zhang Bing  
Zhang Danli  
ZHANG Debo  
Zhang Guoying  
Zhang Hu  
Zhang Huiqi

Zhang Jihong  
Zhang Jing  
Zhang Jun  
Zhang Kunlan  
ZHANG Liangliang  
Zhang Linhan  
Zhang Ningning  
Zhang Peng  
Zhang Qian  
Zhang Ting  
Zhang Wen  
Zhao Bifu  
Zhao Guofang  
Zhao Huifen  
Zhao Jinwen  
Zhao Shijun  
Zhao Shouzhu  
Zhao Xiangfeng  
Zhao Zhaohua  
Zheng Jianjun  
Zheng Weiwen  
Zheng Yuexian  
Zhong Mengting  
Zhong Qiwen  
Zhou Lihua  
Zhou Xianghong

Advanced  
to FIPA

**New South Wales**  
Kurtis Alaeddin  
Judith Baker  
Ning Best  
Dragana Bugarcic  
Kevin Dawes  
Premjith Devarajan

Zhou Yalan  
Zhou Yang  
Zhou Ying  
Zhou Yong  
Zhu Huijia  
Zhu Juan  
Zhu Lin  
Zhu Liwen  
Zhu Pei  
Zhu Surong  
Zhu Yanyan  
Zhu Ying  
Zong Yuan  
Zou Xiangyang

David Giacobbe  
Julie Law  
Ophias Matsenhura

### Victoria

Harsha Attanayake  
Keith Mills  
Gopal Pokharel  
Adrian White

### Queensland

Kelly Cavallaro  
Glenys Wilkinson

### Western Australia

Kelly Berry

### Hong Kong

Ting Pong Cheung  
Shun Ching Ho

**Overseas**  
Simone Carminati

**Overseas**  
Yuan Feng

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to MIPA

### New South Wales

Horst Holzinger  
Leanne Hume  
K M Sayedul Islam  
Phu Pham  
Karen Salinas  
Suzanne Wheatley  
Ling Zhang

### Victoria

Sorur Garnavi

### South Australia

Cassandra Putland  
Khagendra Sapkota  
Bao Linh Tieu

**Western Australia**  
Thanh Tu

### China

Huang Liming

### Deceased

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

Deborah Robinson,  
AIPA AFA  
Western Australia

Adam Lazar, FIPA FFA,  
New South Wales

Edward Wimble,  
FIPA FFA,  
New South Wales

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