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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

inside **ROYAL COMMISSION ON SME LENDING**

Raising MONEY SMART *kids*

Money is a daunting subject for Australians both young and old. But a collaborative effort between schools, the government and parents can pause our progress towards financial illiteracy

| BRIDGING THE FUNDING GAP | BENEFITS OF DIGITAL CONNECTIVITY | ETHICAL CHALLENGES OF AI |

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

A large number of Australians feel out of their depth when faced with basic financial concepts and decisions. Not only are financial literacy issues the cause of day-to-day problems for Australians, but they are affecting the success of our businesses. Can a collaborative effort between schools, the government and parents pause our progress towards financial illiteracy?

The funding gap between what small and medium businesses in Australia need and what is available on the market is estimated to be in excess of $80 billion. This edition we dissect the government's pledge to push for the creation of a private sector owned fund to support growth potential SMEs.

Finally, we examine the ins and outs of single touch payroll. Although it is forecast to bring some challenging times for Australia's micro businesses, can new technology better business outcomes, boost transparency and combat non-compliance?

Features

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Editorial board IPA
Wayne Debernardi
Vicki Stylianou

Publisher
Alex Whitlock

Features editor
Maja Garaca Djurdjevic

Journalist
Linda Santacruz

Designers
Dan Berrell
Allisha Middleton-Sim
Jack Townsend

Senior production editor
Keith Ford

Production manager
Lyndsey Fall

Editorial enquiries
Maja Garaca Djurdjevic
(02) 9922 3300
maja.djurdjevic@momentumconnect.com.au

Advertising enquiries
Jehan Hapuarachchi
(02) 9922 3300
jehan@momentummedia.com.au

Subscriptions
(03) 8665 3115

MOMENTUM MEDIA

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

Instant asset write-off: let's keep it going

Even before the federal budget, the Prime Minister, Scott Morrison, announced that the instant asset write-off initiative for small business would be extended to 30 June 2020. Better still, it was to increase from $20,000 to $25,000. Good news for small business.

Last year, the Australian Small Business and Family Enterprise Ombudsman recommended an increase up to $100,000. The IPA supports any increase to the threshold but wants to see it continue beyond 2020.

The IPA was instrumental in advocating for the introduction of this initiative, which eventuated in the 2015 federal budget. We will continue to advocate for this initiative to become a permanent fixture within the small business tax regime.

In the meantime, the policy is a dangling carrot held high with no certainty each budget year.

Large retailers get on the bandwagon each year promoting the initiative based on their desired sales levels. However, it is not the retailer's job to be advising on tax benefits or tax implications.

We have been pushing the message hard that small businesses should talk to their accountant and obtain appropriate tax advice before going on a spending spree.

This initiative is bringing forward the tax deduction that would have been deductible over a number of years.

There is no doubt that small businesses should take advantage in the lead up to the end of the financial year, but only if it is in a fiscal position to do so.

If a business is not making a profit, there is no tax advantage to be gained from this tax concession. The write-off only applies as a deduction; it is not cash-in-the-hand and the IPA is urging people to seek advice from their trusted adviser; their IPA accountant.

It is very important for our members to own this space and to paint a very clear picture of what it means as there always appears to be some confusion in the marketplace.

Simply put, if a small business makes a profit of $50,000, the tax payable at the small business company tax rate would be $13,750. The deduction of business related assets up to $25,000 would reduce the taxable profit to $25,000 with a tax payable amount of $6,875; a tax saving also of $6,875.

For a non-incorporated small business, the tax saving will be dependent on the individual's marginal tax rate.

I would encourage all of our members to contact or write to their small business customers who may be considering investing in new assets, whether it be vehicles, computers, plant or equipment, to ensure they are doing so with no misconception of what this policy is about. This is a golden opportunity for you to be showing that added value to your clients; value which I am sure they will appreciate.

Damien Moore FIPA FFA

Election coming and the natives are restless

There is no doubt that you have seen the many election promises and associated rhetoric across Australia over the past few months from all corners of government.

Winning votes is the number one agenda on the political combatants' minds. All we can hope for, regardless of the outcome, is common sense and sound government policy that will drive Australia's economic wellbeing well into the future.

To this end, the IPA has continued its relentless advocacy push in support of the small business sector. Much of what we are advocating for stems from our Australian Small Business White Paper and from all feedback thus far, we are confident that our voice is being heard.

The two major political parties have been indicating a strong interest in taking the high ground when it comes to small business, which sounds promising. As both the 2015 and 2018 editions of our White Paper have outlined, the need to boost small business productivity is critical to our economic prosperity to at least sustain our current living standards.

In addition to small business policy, taxation will once again be a key election platform. Over the past several months, the government and opposition have put out various tax policy proposals which in looking at them, appear quite disparate.

In our White Paper, last year, we announced a number of 'Big Vision' policy recommendations. Which included:

1. Broaden the base and lift the rate of GST (subject to the appropriate equity measures).
2. Cut direct taxes.
3. Undertake a zero-base design of a thoroughly modern taxation system.
4. Reform and simplify the personal income tax scale.
5. Standardise a company tax rate at 25 per cent.
6. States and territories to be held accountable to the intergovernmental agreement on tax reform to eliminate payroll tax and stamp duties. These revenues could be channelled into a state infrastructure fund to grow the economy.

One policy proposal from the opposition that the IPA has been vocal about is the removal of the ability for individuals and superannuation funds to claim their full entitlement to franking credits. The IPA was represented in the inquiry into this matter, putting forward members' views, along with a submission to government.

Any policy change that has inconsistent outcomes (industry funds versus SMSFs; pension guarantee rule) will struggle to meet the fairness test. We need to be looking at how we tax all forms of savings more consistently. A more holistic approach to taxing personal savings across all asset classes as recommended by the Henry review would be more beneficial than changing one aspect in isolation.

Andrew Conway FIPA FFA

IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as the tax affairs cap, competition in super, and ATO power.

Tax agents with tax debts

We do not condone not attending to one's own tax obligations as this can result in loss of trust in the guardians of the tax system.

– Tony Greco, Accountants Daily

Client billing preferences

Engagement letters are always good practice, to spell out in your engagement... maybe a lot of practices are not doing their basic 101 business management to make sure that their billing works for the client.

– Tony Greco, MyBusiness

$3K tax advice deduction cap

Institute of Public Accountants CEO Andrew Conway said members were concerned the "cash grab" would have a negative effect on the integrity of the tax system because taxpayers would limit their use of advisers.

– *Australian Financial Review*

Labor tax affairs cap

[Andrew] Conway said that the tax system should be equitable and fair, and simply because a person might have a higher income and therefore require more complex tax returns shouldn't mean they have less of a capacity to deduct the cost of managing their tax affairs.

– SMSF Adviser

Increase in power of ATO

In the current environment, small businesses and individual taxpayers, whether rightly or wrongly, are sensitive to the wide-ranging powers of the ATO. These concerns follow reports of unfair influence being exerted.

– Tony Greco, Accountants Daily

Accountability of super fund trustees

Considering the interim findings of the Hayne royal commission, the Productivity Commission superannuation report and other inquiries, the role and accountability of trustees must be reinforced.

– Andrew Conway, *Business Acumen Magazine*

How competitive is super?

Reforms on the demand side especially around the introduction of standardised products and enhanced transparency of information should result in improved efficiency and innovation in product development.

– Andrew Conway, *Money Management*

ATO role in tax clinic trial

Tony Greco, general manager of technical policy at the Institute of Public Accountants, says a perceived conflict of interest regarding the ATO's role in the program is a cause for concern.

– *Smart Company*

The IPA Program – Deakin MBA

It has never been a better time to become a professional accountant; holding a strong mantle of being the most trusted adviser to clients and employers. But it is imperative to maintain that level of trust by staying up to date and being leaders in the knowledge space.

– Andrew Conway, Accountants Daily

Reporting proposals for gig economy

The government can't ignore this growing piece of the economy and there are so many platforms out there that the size of the gig economy has gotten to the point where we are dealing with significant leakage in the tax system if you allow it to go along at these levels.

– Tony Greco, Accountants Daily

Accountants want to give advice

Put simply, public accountants are not in the business for charging exorbitant fees for advice but rather offer genuine support to their clients. They want to be able to have broader advice discussion, which the current financial services regime prevents them from having

– Andrew Conway, *Money Management*

Instant asset write-off extension

Andrew Conway, the chief executive officer of The Institute of Public Accountants (IPA), said the IPA supports any increase of the threshold, adding, "The extension of this initiative through to 2020 will give reassurance to small businesses looking to invest in their business for future growth.

– *The Business Conversation*

Tax affairs cap

It's a concern for the integrity of the tax system because what we believe this measure would do is potentially restrict a taxpayer's ability to engage the best possible advice they can and obtain private tax rulings. Private tax rulings are complex and time-consuming and generally best managed through a tax agent or specialist," Mr [Andrew] Conway said.

– SMSF Adviser

Black economy

Mr Greco said the onus is already on the taxpayer to prove that a tax assessment is excessive. This, he said, already acted as a "default reverse onus of proof

– *ABC News*

Super fund trustee accountability

Australia needs a framework, [Andrew Conway] said, which acknowledges significant funds being invested, varying levels of expertise and knowledge of trustees, along with their reliance on external experts, to provide further guidance in the covenant to clarify the obligations of trustees.

– SMSF Adviser

Super competition

While there is currently sufficient emphasis on competition in the regulation of superfunds, analysis is required to determine whether system inefficiencies are due to a lack of competition in the marketplace or structural problems associated with the superannuation system.

–Andrew Conway Public Accountant Hub

IPA digital content platform takes on new dimension

The IPA Group's new digital hub aims to become a go-to source of information for accounting professionals in Australia and the United Kingdom

The Institute of Public Accountants (IPA) is excited to announce it has launched a new comprehensive and multijurisdictional content platform for audiences worldwide.

The new digital hub was born out of the IPA's long-term partnership with publishing and media firm Momentum Connect.

In 2015, the IPA acquired its UK-based peer, the Institute of Financial Accountants (IFA), creating the IPA Group, which has become the largest SME-focused accountancy organisation in the world.

At the time, the organisation vowed to introduce a raft of new communication mediums to better its engagement with members and prospective members, and the new digital platform forms a part of that pledge.

"We wanted a modular digital content platform that can stand the test of time, delivering a vast content range while enhancing user engagement," said the IPA Group's chief executive, Andrew Conway.

The new hub bridges the geographical divide between Australia and the UK. It pulls together content from the IPA and IFA print magazines and industry related news from opposite ends of the world.

It delivers features, opinion pieces, articles on legislative, regulatory and business-building topics, as well as a monthly podcast, making it convenient and easy to consume the latest news whenever and wherever you want.

"When making content-related decisions, we will consider the needs and interests of our audiences. Our research shows that this goes beyond the day-to-day accounting profession," Mr Conway said.

"For example, we will put a special emphasis on articles exploring health and wellbeing, which we have previously recognised as a top priority for our readers in the small business community."

Momentum Connect director Phillip Tarrant described the new platform as fresh, exciting and in tune with the latest technological developments.

"The news industry is constantly evolving and we are following the trends. When it comes to content that is both engaging and interactive, you cannot ignore the digital space," Mr Tarrant said.

"While the initial focus of the new platform is on Australia and the UK, we have designed and constructed it to grow with the addition of other jurisdictions that the IPA Group may expand to in the future."

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Integrating wellness

By integrating wellness into the workplace, employees are increasing morale and creating happier and more productive staff. Sarah Scicluna, HR advisor at HLB Mann Judd, explains why her company values physical and emotional wellbeing equally

by Sarah Scicluna

Sarah Scicluna,
HR advisor, HLB Mann Judd Sydney

The success of our health and wellness program has largely been from listening to staff about what they value as well as having the support of our partnership; like any new initiative, without support from its leaders, it's likely to fail. As an example, the majority our regulars at our morning bootcamp (which has been running for the past eight years) include our COO and partners.

What is important to also acknowledge is if staff are too busy attend these initiatives, then they are flawed from the outset. Therefore success is also about acknowledging workloads and scheduling activities when staff have the best chance to attend. HLB also offers several flexible options around hours and work, which allows our staff to flex their working week to allow more time for leisure and family, including work from home options to save on commute time.

Finally, once you have the support of your leaders and the take-up of staff, the trick is in acknowledging there is no 'one-size-fits-all' approach. A wellness program needs to be designed with a holistic approach and inclusiveness in mind, making sure both the brain and body is ready for work. We offer a range of benefits from lunchtime yoga, discounted health insurance, counselling, fruit baskets and sporting teams.

Many corporate wellness programs only recognise the physical component of health, how are you promoting emotional wellbeing?

We believe that physical and emotional wellbeing go hand in hand; the two are impacted on by the state of the other.

To safeguard the mental health of our staff, HLB has an Employee Assistance Program (EAP) in place. The service assists to identify and resolve professional or personal issues, and extends not just to our staff, but also to their families, at no cost to them. EAP is voluntary and confidential and it gives staff access to professional counselling by qualified psychologists and a 24/7 web portal. Our EAP service is promoted to staff at their induction and orientation programs, as well as communicated on our staff intranet, in news updates and posters.

We also engage an onsite psychologist on an annual basis who is available to talk to staff confidentially to express any concerns, either work or personal. The overall trends are relayed back to our management group to action possible areas of concern, while keeping individual responses confidential.

Aside from one-on-one care, it's important to support emotional wellbeing as an organisation just by taking small steps throughout the year to keep it front of mind. This includes celebrating movements such as R U OK? Day and Go Home on Time Day throughout the year.

What is the value of promoting a healthy work environment?

It really should go without saying these days, but a healthy work environment increases morale, creating happier and more productive staff. We then benefit from less absenteeism and turnover and greater output. Aside from the dollar cost, providing a flexible, healthy work environment is simply just what's expected now, particularly when going to market and attracting talent.

Have you found that by reducing stress in the office, the productivity of your employees has increased?

Absolutely. While productivity can be quantified in different ways, we have seen noticeable improvement in our annual staff satisfaction survey. The most improved question in the survey last year related to work/life balance, "My firm provides health and wellness initiatives for staff", which scored an improvement of 42.6 per cent from the previous year.

Do you offer financial resources to employees in order to ensure their financial wellness?

All of our health and wellness offerings are provided to staff completely free of cost or, in some cases, very heavily subsidised. Staff are also able to obtain free wealth management advice including debt advisory advice if they are looking to apply for a loan or purchase their first property.

We have also recently launched HLB Insurance Services, which staff can also benefit from by looking at the financial security of their family. Offerings such as these go a long way to reducing the personal stress levels of our staff

Social wellness has also been recognised as an important element of an individual's overall wellbeing, how does HLB promote social connections in the workplace?

Social wellness is incorporated into our firm strategy, 'One HLB', which encourages staff to get to know people outside of their teams and is supported by a cross divisional mentor program.

Additionally, one of the benefits of being a mid-tier chartered accounting firm is our size and structure. We all know each other around the office and it allows a friendly team culture where we can form real connections, which undoubtedly feeds into wellness.

To harness this, the firm is extremely active socially, at both a firm-wide and divisional level, and also through a dedicated staff driven social club. Our lunchtime sporting teams are a great way for staff to get some exercise while getting to know their peers.

We also maintain traditions such as a monthly firm speech where we welcome new starters and celebrate staff achievements. We will often try to incorporate a comical element into these events. For example, our managing partner came to work wearing a onesie because staff reached their September fundraising target.

We believe that comic relief and being able to laugh at ourselves also goes a long way to maintaining overall wellness.

What did the banking royal commission say about SME lending?

The long-awaited final report from the banking royal commission attracted plenty of attention, but its recommendations about lending to small and medium businesses largely flew under the radar

by Adam Zuchetti

Adam Zuchetti,
editor, My Business,
Momentum Media

Over the course of its hearings, the royal commission received 10,140 submissions – almost two-thirds of which (61 per cent) related specifically to banking. Superannuation contributed 12 per cent of submissions, and financial advice 9 per cent.

Much of the hearings and submissions focused on individual customers, from consumer lending to financial advice, superannuation and insurance.

But in May 2018, commissioner Kenneth Hayne devoted round three of the hearings to specifically examine lending to SMEs. Round four also touched on the issue, with its hearings into access to finance for regional and remote communities including a look into finance for farmers.

What will change for SMEs?

In short, very little. Commissioner Hayne's opening statement in the section on SME lending was rather emphatic: "With some exceptions, I generally do not favour altering the rules that govern lending to small and medium enterprises."

The report focused on the following core recommendations, most of which were for no change at all:

■ **The definition of small business:** A key point of contention during the hearings revolved around the definition of what constitutes a small business under the Banking Code of Practice, which acts as the primary form of governance over SME banking. Commissioner Hayne disagreed with the banking industry that the definition be loans of up to $3 million in value. Instead, he formally recommended that "the ABA should amend the definition of 'small business' in the Banking Code so that the code applies to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than $5 million".

■ **No extension of consumer credit laws:** The commission explored existing consumer protection laws under the *National Consumer Credit Protection Act*, but determined that it would likely do more harm than good by extending these to cover small business – in effect drying up the amount of lending being made to SMEs. As such, he recommended against any such extension.

■ **No changes to loan guarantees:** Despite examples of banks attempting to enforce dubious and irresponsible guarantees over business loans, commissioner Hayne said that such guarantees should continue to be available for use, and able to be enforced by banks, as an option for SMEs to secure finance.

"If the principles of general law do not prevent enforcement, if the bank has assessed the principal debtor's ability to repay according to the standard set in the 2019 Banking Code, and if no other provisions of the 2019 Banking Code stand against enforcement, then a guarantee should be enforceable according to its terms," the report states.

■ **No obligation for lenders to renew loans:** One of the core aspects of the SME lending hearings revolved around the way in which banks denied extensions or renewals of business loans.

> "The ABA should amend the definition of 'small business' in the Banking Code"

"Matters relating to extending the term of a loan or continuing the terms on which a loan was first made have been a potent source of disagreement between small business borrowers and banks, and a frequent cause of dissatisfaction. This is understandable," the report said. "If the bank will not extend the term of a loan beyond the term originally agreed, or if the bank will do that only on terms the borrower considers unfair, the borrower will often feel let down by 'his' or 'her' bank. If the borrower cannot refinance elsewhere, the loan agreement will probably be enforced and the borrower's business will fail."

But the report suggests the new banking code already addresses this matter.

"Clause 86 of the 2019 Banking Code will provide, in general terms, that lenders must give three months' notice of their intention not to renew a loan to a small business borrower who is not in default. I consider that this requirement is appropriate, and that it will go some way to ameliorating the hardship demonstrated in some of the case studies that related to loan renewal and enforcement."

Commissioner Hayne said that, ultimately, no business should ever assume that a loan renewal or extension is guaranteed.

"The risk that a term loan will not be extended, and the risk that new and different terms may be sought by the lender as the price for making a new loan agreement, must both rest with the borrower. These are risks that are inherent in any and every business venture that borrows," he said in the report.

Farm debt mediation: Commissioner Hayne derided the mismatched approach to farm debt mediation, which is only mandated by four states, and has been treated by lenders as "no more than a step that must be taken before the lender demands and obtains an order requiring repayment of all that is owing", rather than a legitimate means of trying to resolve financial difficulties. As such, he recommended that a national farm debt mediation framework be introduced, in order to make this a uniform and compulsory standard.

Political response to the report

In a press conference immediately after the report's release, federal Treasurer Josh Frydenberg said the government "is taking action on all 76 recommendations" from the report, although he did not specify whether that meant the government will be adopting all of the recommendations in full.

"It's a scathing assessment of conduct driven by greed and conduct in breach of existing law, and fell well below community expectations," he said.

"The price paid by our community for this misconduct is immense – and it goes beyond just the financial," he added, referring to "broken businesses and broken lives".

Mr Frydenberg confirmed the government would adopt the recommendations for a national approach to farm debt mediation, adding that it would seek to mandate such processes be managed by people with an agricultural background.

Meanwhile, shadow treasurer Chris Bowen reiterated Labor's previous promise to "accept in principle all of the recommendations", and committed to "consult broadly" on implementing these recommendations should it win the federal election.

Mr Bowen called it a "dark day" and a "sobering report", which has "vindicated" the whistleblowers who had pushed for the royal commission.

He said the opposition regards "this report as the minimum of action to be taken to improving" the sector.

IPA's response

Vicki Stylianou, executive general manager, advocacy and technical at the Institute of Public Accountants, said, "We anticipate more scrutiny from the regulators, and we are already in an environment of enhanced surveillance.

"We don't expect too much to change, the vertical integration which supports banking profitability is unlikely to change. Commissioner Hayne focused on the need for cultural and behavioural change, so we'll see if any real change happens over time."

Banking industry 'has seen itself through customers' eyes': ABA

Head of the Australian Bankers Association, Anna Bligh, said the report was some "very tough medicine" for the banking industry, but that the commission had opened their eyes to practices they deemed standard but which were clearly unacceptable.

She said that banks are "determined not to miss the opportunity", but acknowledged that, in light of the revelations throughout the commission, many people would view this with cynicism.

"Judge banks not by their words, but by their actions" over the coming weeks and months, she said.

Ms Bligh added that the industry has already appointed a taskforce to implement the changes arising from the royal commission, amid a commitment to restore trust by the Australian people.

Member snapshot: Keith Clissold

How would you describe the value of accountants generally to the people you meet?

Tax accountants are valuable because they do the best thing for their clients. They make sure that clients are paying the right amount of tax, that they are not overpaying, and that they are not making incorrect claims. Clients also want their accountant to reflect the best situation for their business, so that they can go out and obtain finance if they need it.

I always encourage people to join our profession. I have been a part of it for over 45 years. I really think people should learn the basics of the profession so that they can overcome any obstacle on their path in the future.

What are the challenges of your profession?

Many challenges are associated with changes in technology, but keeping abreast of all of the changes in tax and super law can be very hard, especially while you are trying to deal with compliance issues of clients at the same time. All the professional bodies do require you to have 30 to 40 hours of professional training per year, which is great. I believe we have to keep up-to-date due to the ever-changing environment and make sure we have the right resources available.

In light of recent events, what effects do you expect the final royal commission report will have on accountants and their small business clients?

I think the banks will be tougher on giving out finance. I think they will make people jump through a lot more hoops than they did before. This will make things tougher for accountants because they will probably be required to give more detailed information. The banks will probably want proof of everything, like an audit of figures to make sure people can pay their debts. I think that will be an issue.

In my case, because I am not a licensed financial adviser, I can't give financial advice. So, SMEs will need to seek out really good financial advice, on how to invest their monies, elsewhere.

What advice do you give your accounting peers who, like yourself, don't specialise in financial advice?

Some accountants are trying to spread themselves a bit too thin, trying to be a jack of all trades, trying to specialise in tax and in financial services. That is probably not very conducive to good business practice. When you try to spread yourself out, you may miss out on vital information. So, I would be telling my fellow accountants to seek out specialist professional advice in the financial sector.

What possible ramifications do you see for accountants with the upcoming election?

I think that if the Labor Party is elected and if they bring in the franking credit regime for super funds, a lot of superannuation funds will have to seek out specialist advice on how to overcome the loss of those franking credits. It will be a big issue if it does get legislated.

My clients will need to turn to a specialist who has RG146 qualifications. Despite being a super fund auditor, I won't get involved in investment strategies. I will stick to tax strategies, which may also be advantageous to my clients.

It has been a very busy year for SMEs so far, how are your clients handling the uncertainties?

On an economic basis, a lot of my smaller retail clients have said that the start of the year has been really slow. In terms of legislative changes, they are happy with the lower company tax rate and with the extension of the instant write-off. However, a lot of my clients aren't making big decisions at the moment because of the upcoming election. They want to make sure they know what legislation is likely to be put in place before they make those decisions.

How important is it to be a member of an accounting body and what sort of support do you receive from the IPA?

The IPA issues weekly newsletters, they organise discussion groups all around Australia, and their magazine always has up-to-date information. The IPA also seeks information from government bodies, such as the Tax Office and ASIC, and they lobby on behalf of the profession, which is something a single accountant can't do by themselves.

Removing red tape: Modernising the business register

Several changes to small business rules are expected to roll out this year, some of which are aimed at lifting red tape and easing the way small businesses operate

One such change is the anticipated modernisation of the business register, an essential source of critical information and an important mechanism for ensuring corporate compliance.

In February, the House of Representatives passed the Commonwealth Registers Bill 2019, aimed at modernising the business register with the intention to make business data current, accurate and accessible.

The bill provides for the Australian Business Register and the business registers administered by ASIC to be moved to a modern registry platform that will be administered by the Australian Business Registrar within the Australian Taxation Office, as announced in the 2018-19 budget.

The legislation foresees the appointment of a registrar, who will have the ongoing flexibility to adapt and respond to changes in technology to improve the user experience and simplify the way people interact with government business registers.

By providing the registrar with added flexibility, reforms are expected to reduce red tape for businesses by lowering their reporting obligations.

The creation of a single register, implemented by a national department, is something for which the Institute of Public Accountants (IPA) has long advocated.

In August last year, the IPA reasoned in a submission paper that a single portal would make it easier for individuals and entities to interact with the system irrespective of the purpose of their engagement.

"We encourage the government to expedite the establishment of a single portal that permits the lodgement of and search for information related to individuals and entities," Tony Greco, the IPA's general manager of technical policy, said at the time.

Confusion dealing with multiple agencies

Businesses have reported an abundance of issues with accessing and using multiple registers. At present, in order to conduct their affairs, businesses must understand which agency is responsible for which particular business registry service.

This unnecessary red tape has seen private businesses and individuals enter the same information multiple times across several different platforms to maintain registrations and licences or obtain relevant information.

Timothy Munro, director and CEO of Change Accountants, said that the old system is inefficient and leads to the maintenance of out of date information.

"A single web-based interface will make it much faster and easier to set up businesses and simplify required updates to business data," Mr Munro said.

Moreover, the current registry system is a nuisance for software developers, accountants and brokers that need business data to deliver their services.

Currently, groups working with and for businesses must engage with multiple agencies to obtain information they need to deliver their products. But the increased complexity boosts costs for them and their customers.

In its submission to the government, the IPA explained that its accountants use the registry services on a frequent basis; not only to ensure that their respective practices are being conducted appropriately, but also to ensure that their clients and their businesses are meeting lodgement requirements and deadlines in an appropriate fashion.

Feedback from the IPA's members has indicated that they would prefer a single, simple web-based interface for the lodgement, maintenance and search of information that is publicly accessible via government registers.

Joined-up service to ease access

The streamlining of 32 existing registers into one portal is intended to make it simpler for individuals and entities to interact with the system, irrespective of the purpose for their engagement.

"Business registry services support whole-of-economy outcomes through the provision of integrated, seamless services that are user-centric, minimise duplication and deliver capabilities that meet business requirements," the government said in a discussion paper.

Key facts

- There are more than 2.2 million companies on the Business Register.
- There are more than 90 million searches per year on ASIC registry services, which support the delivery of services across the economy.
- There are over 7 million active Australian Business Numbers (ABN).
- Almost all companies and ABNs are registered online, demonstrating this is far and away the most preferred method for people starting a business to begin to engage with government.
- The ABR is used by over 500 agencies, and its public data is searched over 900 million times per year, forming an integral part of many business processes.

"The modernisation of business registers will deliver on the government's whole-of-government digital transformation agenda, be adaptable, flexible, scalable and cost effective."

The key developments include:

- Improved registry services;
- Reduced complexity in managing legal and regulatory obligations;
- Improved reliability and trust;
- Improved data analytics;
- Optimised access to public data;
- Introduction of Director Identification Numbers (DIN).

Particularly valuable for accountants is the government's pledge to optimise access to public data, Mr Munro said.

"This is absolutely vital. Accountants need to search data to assist their clients with their dealings with their own customers and clients. Searching one database rather than multiple databases makes sense given today's available technology," he said.

The government believes that open data principles will guide investment and design decisions, while ensuring that business registry data is appropriately collected, maintained, managed, and "open", consistent with its Public Data Policy Statement.

Introduction of DIN to tackle phoenix activity

Besides the creation of a central, joined-up service, the legislation also introduces the legal framework for DINs to tackle illegal phoenix activity.

It is well documented that a tactic used by phoenix operators is the appointment of individuals to the role of a director without that person's knowledge.

The proposed law, said the IPA, appears to deal adequately with these matters by providing assurance that a person listed as a director of an entity is actually a 'real person' and has consented to fill that role. Mr Munro believes that the introduction of DINs is a huge benefit to the industry.

"It will prevent directors who have previously engaged in fraudulent activities from being allowed to run business again," Mr Munro concludes.

"This is a very important update, long overdue."

Free tax clinic trial: Accountants caught off-guard

Tax agents and accountants were caught off-guard by the government's tax clinics trial and are concerned that the playing field has been unfairly tilted towards government business

Bachir Zreika,
CEO and founder,
The Tax Factor

The Australian government has allocated $1 million to set up 10 tax clinics across the country to provide free advice to small businesses and individual taxpayers under a trial program.

The clinics, administered by major universities for a period of 12 months, provide general tax advice to unrepresented and low-income individual and small business taxpayers and assist them with reporting requirements. While many have welcomed the government's initiative, tax agents and accountants were thrown off-guard. The initial surprise gained traction when the ATO was confirmed as the body in charge of administering the trial.

Competitive neutrality requires that government businesses don't have an unfair advantage over the private sector. But, accountants and tax agents alike are wondering if the field has been unfairly skewed to one side.

They feel the government has conveyed a level of mistrust towards the accounting profession and are concerned about the ATO's future approach to the industry.

Bachir Zreika, the CEO and founder of The Tax Factor, explains what the trial means for tax agents and accountants, and predicts how it will affect their relationship with the ATO.

What does the government's tax clinic trial mean for tax agents and accountants?
Free services will have an effect on the income/revenue of tax agents and accountants. This is especially true for small tax agents that work exclusively with small taxpayers and small businesses, and depend on this revenue to run their practice.

On the other hand, the ATO wants to help the unrepresented small businesses and individuals receive free tax advice by appointing volunteers on a pro bono basis. This is good, but we have yet to see what value this will add to clients and individuals that are seeking professional advice.

Questions exist, such as will it meet the taxpayers' expectations, especially because it is a free service? We are also unaware of how much time, effort and depth such a clinic is willing to invest in a single client. On the other hand, what if a client is not seeking procedural or text book advice?

A matter of confidentiality also exists from the client's perspective. There may be inhibitions on the type of advice they are seeking from the ATO, in order not to reveal too much due to any misconceptions and misjudgement of tax avoidance.

What are your thoughts on tax clinics as a concept?
The intention and thought behind this are brilliant, but it would have been great to bring on board local tax agents and accountants to have their say and give more insight. Exploring how local tax agents and accountants can add value to such a concept and make it a success is important.

We understand how small businesses and individuals function because we work with them on a day-to-day basis and foster a personal relationship with them. There are going to be challenges, but I am certain that the ATO is currently piloting this with Curtin University. It will also be interesting to see how these clinics handle the multilingual clients who do not speak English.

The fact that the ATO will administer the program has raised quite a few questions, what are your thoughts on the ATO's role?
Can it be perceived as a conflict of interest?
Yes, it is an area of concern, especially given the fact that the ATO is perceived as an overseeing authority and governing body. By taking the role of a giver of tax advice, it has confused its role. On the other hand, it is being said that it won't be heavily involved.

With tax clinics established in major universities across the country, is it a good idea to have tax law and accounting students provide the advice?
Qualifications are very pivotal for the profession and without sufficient experience, such advice can prove to be detrimental. It is risky giving advice when you don't possess industry experience.

However, we understand that the students will be supervised by qualified tax professionals, and believe this is vital.

Overall, what are your thoughts on how this project will pan out?
We are supportive of this trial and concept, given the fact that it is aimed at helping vulnerable taxpayers and small businesses. But it would be nice if this concept was fused with existing tax agents/small accounting firms who serve the community, and already possess the experience.

How will it affect your relationship with the ATO?
By not involving the reputable practice firms, the message that is being conveyed is that there is a mistrust. Hence, we are left wondering how the ATO will treat tax agents going forward, and what the tax profession will look like for small tax agents who form part of this small business community.

Tony Greco FIPA, general manager of technical policy, IPA

The IPA supports the assistance being given to those taxpayers who would otherwise be unrepresented and cannot afford to pay for advice. It is definitely in the public interest and we strongly support this.

The tax clinics present an opportunity to refer tax matters to professionals as the clinics operate under constraints. However, the IPA has raised concerns at various levels, including with the TPB.

It seems that the 10 clinics may not operate in a standardised way, though we have not been provided with a lot of detail so we can't make a proper assessment. This is a trial so we will monitor progress.

Some of the questions we have include who pays if something goes wrong - will there be professional indemnity insurance coverage? Who will be accountable for the advice?

IPA acknowledges that members have raised concerns around competitive neutrality and this has yet to be adequately addressed. We have advocated on this issue many times in the past and will continue to do so.

IPA has also raised the issue of registration and has advocated that the clinics and those providing the advice should be registered and subject to the same standards and scrutiny as registered tax agents. Otherwise, taxpayers will be put at risk.

IPA has raised concerns that even though the tax clinics fulfil a need in the community, the taxpayers receiving the advice should still be able to expect the same high standard of advice and professionalism they would expect if they went to a registered tax agent.

Tackling the black economy: ATO strike force in action

The ATO has taken a mobile strike approach to protect honest businesses from unfair competition by addressing black economy activities. It is touring the country in an attempt to level the playing field, enabling small businesses that are doing the right thing to compete

Tackling the black economy was identified as a key government priority with the formation of the Black Economy Taskforce last year. The ATO was recognised as a key stakeholder for the taskforce and a significant contributor to shaping its work.

This financial year, the ATO is planning to visit 10,000 small businesses in 30 locations.

Peter Holt, assistant commissioner for small business assurance at the ATO, provides insight into the strike force and its progress.

What impact is the ATO's strike force having on the small business community?

The ATO is visiting small businesses across the country to address black economy activity. The objective is to protect honest businesses from unfair competition. So it is part of a broader package that was announced by the government in the budget last year to tackle the black economy.

We are implementing a targeted, stronger and more visible enforcement strategy. This includes visiting small businesses to help them with their obligations. But we will also be identifying businesses that may be doing the wrong thing deliberately.

When we do these visits, we are interacting with the community and small businesses, and we are identifying their mistakes.

We are helping the businesses that are doing the right thing by identifying those that might be intentionally doing the wrong thing, such as omitting their income. If we find that a business is not following the rules, we take firmer action, auditing and raising penalties in situations where that is appropriate.

How many businesses has the ATO visited to date?

We have visited 5,000 businesses in the first six months. This includes businesses across all states. Over 400 of those businesses have been referred for further action. The further action includes either conducting a more intense review of their tax and super obligations, or an audit.

How are the businesses chosen?

The program is directed at areas where we have some initial concerns and, therefore, we think that small businesses either need assistance or we need to take firmer action. This is a targeted program where we have some concerns about small businesses meeting their obligations.

What do the ATO's visits look like?

Our visits to small businesses usually take about 30 minutes and because mistakes can cost a small business time and money, I think it is worth investing the time to talk to the Tax Office early.

The ATO also conducts information sessions ahead of its visits, to highlight why we are visiting and what raises our attention. We also provide a one-hour education session on business records to help small business operators.

We advertise these visits well in advance and we invite them to come along to those information sessions to hear about why we are visiting the area and how they can ask for help.

How long will the ATO continue its mobile strike visits?

This activity will continue for four years. It is expected to change in focus over the years as we identify areas that we need to investigate further.

What are the expected outcomes?

The expected outcomes are increased lodgement by businesses that might not be up-to-date with their lodgements. We are expecting that small businesses will have increased their understanding and ability to get things right. We are expecting that the audits will result in raising tax shortfalls that are due unpayable. In some instances, we would expect that small businesses will be pursued with firmer action.

The definition of black economy is: the part of a country's economic activity that is unrecorded and untaxed by its government.

How important is this initiative for the Australian economy?

The importance of what we are doing is not only helping small businesses get it right, but it's also about making it clearly visible that the Tax Office is doing something about the black economy and trying to level the playing field.

So, having our staff in mobile strike teams, visiting small businesses, is important to show that we are serious about holding those that are doing the wrong thing as accountable for their actions and making the space fair for everyone.

What has been the response from small businesses?

The response has been really positive. They are very pleased to see the ATO out and about in their communities. Small businesses are keen to seek out information from us when we are out there, and to look for help and support.

They are also really appreciative of the guidance we are giving them. But they are also very appreciative of the fact that we are following up on those small businesses that aren't doing the right thing.

The latest on the IPA's advocacy work

The IPA presents its pre-budget submission to the government for the 2019-20 financial year and looks forward to working with the government on its economic agenda set in a constantly changing environment. The following is an abridged version of the submission

The IPA strongly believes that immediate 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 must 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 SME Research Centre launched the first Australian Small Business White Paper, which contained many recommendations to boost small business productivity, essential to maintaining Australia's overall standard of living.

In September 2018, the second Australian Small Business White Paper was launched, continuing to examine the declining state of productivity in Australia and recommending how to address this through increasing small business innovation, competition and participation.

Second White Paper coverage

In addition to building on the initial recommendations from the first White Paper, the second White Paper included research, analysis and recommendations on:

- Small business productivity – examining the technical efficiency in this sector;
- Job creation and job destruction;
- Taxation of SMEs – including their overall contribution to tax collection and how to optimise the tax system;
- Competition policy – following on from the Harper Competition Policy Review, including access to justice;
- Access to finance – including financing principles and alternative sources of finance. Both White Papers recommended introducing a loan/credit guarantee scheme. In this respect, the IPA notes the government's announcement in November 2018 to establish the Australian Business Securitisation Fund (ABSF) and the Business Growth Fund, based on overseas models. As noted in the White Papers, Australia was only one of 47 developed countries without such a fund to assist small businesses to access affordable finance. The IPA made a submission on the ABSF; and notes that legislation is expected to be introduced in early 2019. Therefore, the IPA has not repeated its recommendations on access to finance for small business in this current pre-budget submission;
- Internationalisation and free trade – benefits for the small business sector in a changing and challenging environment;
- Innovation policy – incremental innovation can be achieved across the economy without 'scaring off' consumers;
- Family firms – their contribution to the economy;
- Regulatory overload – how to deal with it; and
- Workplace relations – making the system more accessible and understandable for SMEs.

NOTE: Ongoing research is being undertaken by the IPA Deakin SME Research Centre into the fields of mental health and cyber security.

Tax and Innovation

The IPA emphasises that major reform cannot always be achieved quickly and urges the government to take a long-term view based on a clear, determined and well communicated path for the Australian economy and Australian society.

In particular, the IPA is very keen to ensure that bold tax reform becomes a priority for the government and will continue to express its disappointment with the stalled tax reform process. A piecemeal approach is sub-optimal and may even prove harmful to long-term reform.

Also, the IPA urges the government to continue working on innovation policy, despite setbacks with communicating the benefits. The second White Paper contains recommendations on innovation policy that can increase productivity with flow-on benefits for the whole economy.

The IPA believes it is time 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.

Productivity

The focus of the second Australian Small Business White Paper – researched, written and published by the IPA Deakin SME Research Centre – is on Australia's small business sector and how it can contribute to lifting our national productivity.

Australia faces a significant challenge in maintaining the nation's living standards if productivity remains stagnant. The small business sector – as a huge component of the economy – can positively influence productivity growth, but Australian small businesses

→

operate in an increasingly complex global environment of interconnectedness, interdependence, uncertainty and change. Therefore, the sector requires support to become more innovative and efficient, to employ more people and to export more. The IPA believes government has an important role to play in positively influencing productivity growth, especially through supporting the small business sector with measures such as:

- Enabling and promoting access to affordable finance to improve the longevity of small businesses;
- Implementing the Harper competition reforms to enhance the competitiveness of small business;
- Facilitating education and skills development for small business owner-managers;
- Updating regulatory settings over time, so as not to impede private sector investment;
- Resisting protectionism and facilitating increased access for small businesses to international markets;
- Fine-tuning innovation policy to reward collaborative research, support innovation diffusion and expedite the commercialisation of innovative ideas, especially in the technology space;
- Reforming the taxation system to increase incentives and decrease disincentives to the establishment and growth of innovative small businesses; and
- Undertaking workplace relations reform to ensure the framework delivers consistency and stability to small business owner-managers.

Taxation recommendations

- The federal government should:
  - Renew its commitment to a comprehensive tax reform process – a new process to draw on all the work already done (including the Henry tax review and Tax Forum) in formulating a blueprint to prepare the economy for the challenges ahead. The government should realign our tax system to reduce its heavy reliance on individual and corporate income tax;
  - Explore changes to the GST;
  - Explore the use of a parliamentary forum (such as a committee) to seek further stakeholder views on tax reform. Such an inquiry should also use the Parliamentary Budget Office to model various scenarios;
  - Investigate the potential implications of adopting tax incentives for new businesses, such as those operating in countries such as Singapore;
  - Explore options with the states and territories to either remove payroll taxes or, at least, to ensure the laws and the way they apply are consistent across the country;
  - Ensure the smooth implementation of the single touch payroll regime; and
  - Establish clear policy objectives for small business tax concessions, which would assist in ensuring that tax concessions are appropriately targeted to achieve the desired outcomes.
- The in-house facilitation process for resolving taxation disputes should be constantly promoted and recommended by professional advisers as a potentially effective and cost-efficient means to resolving tax disputes;
- Small business tax concessions need to be consistent, with the policy objectives as defined. A holistic review of all the current concessions needs to be undertaken to ensure the suite of tax concessions work collectively to support small businesses through all stages of a business life cycle. Small business tax concessions must be benchmarked against the policy objectives to ensure they are well-targeted and remain so. The IPA supports the independent self-initiated review of small business tax concessions conducted by the Board of Taxation;
- A whole-of-government approach is required for small business assistance programs. Accountants are well placed to deliver such programs, as they already act as advisers to small businesses;
- The tax system should provide targeted assistance towards stress points in a business life cycle, such as the start-up phase or during a temporary setback; and
- To avoid incentives towards complex business structures, consideration should be given to the creation of a simplified small business entity.

NOTE: In addition to the White Paper recommendations, the IPA has added another relating to Division 7A.

The IPA's second Australian Small Business White Paper aspirational recommendations:

1. Broaden the base and lift the rate of GST (subject to appropriate equity measures).

2. Cut direct taxes.

3. Undertake a zero-base design of a thoroughly modern taxation system.

4. Reform and simplify the personal income tax scale.

5. Standardise a company tax rate at 25 per cent.

6. States and territories should be held accountable to the Intergovernmental Agreement on Tax Reform to eliminate payroll tax and stamp duties. These revenues should be channelled into a state infrastructure fund to grow the economies.

7. Commit an incoming federal government to hold a small business summit within the first six months of assuming office.

8. The Prime Minister should form and chair a small business advisory council to provide direct policy input and options to the government to inform the COAG agenda with a core focus on productivity.

9. The Federal Small Business Minister should remain a permanent position in cabinet, preferably with its own department.

10. The Australian government should facilitate small businesses joining global value chains to remain competitive and access global markets.

The IPA recommends that further consultation be undertaken to revisit ways to minimise the operation of Division 7A to businesses that use corporate profits to fund business activities. The BOT report includes recommendations designed to ease the compliance burden associated with the rules that govern distributions from private companies and to lower the cost of working capital for private businesses. The IPA welcomes further consultation on the reform of Division 7A, but understandably given the current political environment believes that the proposed start date of 1 July 2019 is unrealistic given significant differences in the policy direction being proposed.

Innovation recommendations

The federal government should:

- Provide tax breaks for companies acquiring new technologies not developed in-house;
- Provide a tax allowance for companies investing in intellectual property protection (through patents, copyright, trademarks, design rights etc) in-house;
- Provide tax allowances for companies that generate licensing income for in-house new technologies;
- Rigorously continue with its patent box initiatives, as outlined in its current reform agenda;
- Further develop government procurement initiatives to ensure small business procurement targets are met and exceeded by 2022. These programs should be based on those running in the US; and
- Allocate a pool of funds for further research into youth entrepreneurship in Australia, so policy decisions made in this area are based on research evidence.

All Australian governments should provide more support:

- For research and development by small and medium-sized firms; and
- For firms to adapt existing technologies and innovation.

Also:

- Better linkages should develop between cutting-edge research universities and industry. Typically, only large firms have the resources to fund university-level research and development;
- Measures should be developed and implemented to help the spread of existing innovations to a broader range of firms;
- Encouragement should be given to firms to adopt 'continuous improvement' methods to embed incremental innovation, as this will generate large productivity improvements quickly; and
- A 'matching' service should be developed to promote the building of collaborative relationships between multinational corporations and Australian businesses, both domestically and abroad.

Financial literacy

Raising MONEY SMART kids

Money is a daunting subject for Australians both young and old. But a collaborative effort between schools, the government and parents can pause our progress towards financial illiteracy

by Maja Garaca Djurdjevic

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40%

of high schools offer economics as a subject, compared with over 90 per cent in the early '90s (RBA)

The financial literacy of Australians has been at the front and centre of a debate for generations. And with recent data from the Reserve Bank revealing that only 40 per cent of high schools offer economics as a subject, compared with over 90 per cent in the early '90s, concerns that Aussies are moving towards complete financial illiteracy are mounting.

Understanding money is central to understanding how the world works. However, more and more Aussies are finding the task of drawing up a monthly household budget and completing their tax returns daunting.

Not only are financial literacy issues the cause of day-to-day problems for Australians, but they are affecting the success of our businesses.

According to the Institute of Public Accountants, the lack of financial literacy is a contributing factor in the failure of Australian small businesses.

In putting together its Small Business White Paper, the IPA revealed that all too often entrepreneurs new to the market lack knowledge about finance and strategic management.

So how and when do we begin tackling financial literacy issues?

According to the Financial Capability website, managed by ASIC, a large number of Australians feel out of their depth when faced with basic financial concepts and decisions.

The website reveals that:

- Only 35 per cent of Australians know the exact value of their super.
- 40 per cent understand the concept of diversification (asset allocation within an investment portfolio).
- 59 per cent of Australians pay their credit card balance in full every month.

But the discouraging figures don't end there.

The most recent Household, Income and Labour Dynamics in Australia (HILDA) survey, launched in 2001 by the University of Melbourne, tells us that less than 50 per cent of Australians could answer all five of the survey's simple financial questions correctly.

It puts an added emphasis on Aussies under the age of 25, revealing that they are the least financially literate among the 17,500 people surveyed.

Furthermore, the findings of the Organisation for Economic Co-operation and Development's (OECD) PISA 2015 questionnaire suggest that at least one-fifth of 15-year-old Australians don't have basic financial literacy. OECD writes that some 20 per cent of 15-year-olds "cannot even recognise the value of a simple budget or understand the relationship between how much a vehicle is used and the costs incurred".

When pooled, the results point to the conclusion that financial literacy issues stem from an early age.

Financial literacy in schools

The topic of financial literacy gained elevated status in the Australian curriculum, introduced in schools across the country in 2015. According to its website, the curriculum offers opportunities for interdisciplinary approaches that support the development of consumer and financial literacy in young Australians.

ASIC MoneySmart senior executive leader Laura Higgins assures that financial literacy education is embedded in the education system.

"Schools deliver the curriculum that they believe best suits their students and their needs at the time. So, it is quite flexible in how it is delivered," Ms Higgins explains.

It is this flexibility, however, that is worrying the Reserve Bank of Australia. According to its findings, economics is taught in less than one-third of government schools and a little over half of non-government schools.

"Consistent with economics now being less available as a subject choice in government schools, there are sharply declining economics enrolments, especially in the comprehensive schools that the majority of students attend," the head of the information department at the Reserve Bank of Australia, Jacqui Dwyer, said in a paper last year.

Ms Higgins believes that there are more than adequate opportunities for teachers to engage with financial literacy education, but admits that they all approach the issue differently.

Financial literacy is defined by the OECD as:

Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life.

"As far as what the schools' priorities are, term to term or year to year, is absolutely different," Ms Higgins explains.

Under the Australian curriculum, every school is responsible for its outcomes that reflect the pupils' knowledge of money and finance. It sets out that they must understand the value of money, compound interest and consumer choices, among other things. Ms Higgins explains that there are plenty of systems in place to hold schools accountable for meeting the set outcomes.

"Kids are regularly tested through questions that reflect their understanding of financial concepts. Students are also regularly tested on a grander scale through things like the OECD PISA and ongoing assessments. So, teachers are very accountable for what it is they are delivering in the classroom," Ms Higgins says.

Read this online at publicaccountant.com.au

Tax and super learning in schools

However, lessons on tax and super are not explicitly included in the curriculum, admits Ms Higgins.

"Specific lessons around tax and super are not necessarily happening in every class, every year and in every school," she says.

Recognising this shortfall, the Australian Taxation Office recently announced it aims to include tax and super learning in the Australian curriculum, federal and state, by 2024. Vicki Stylianou, the IPA's executive general manager of advocacy and technical, says that this is a great initiative and one she hopes will cover more than just our obligation to pay tax.

"There have been many different programs to introduce financial literacy into schools, with the debate often around whether it should be embedded into standard subjects or treated as a separate subject. So, tax and superannuation could

Financial literacy

be part of this broader approach," Ms Stylianou says.

By 2024, the Australian Taxation Office wants to see tax and super actively taught in at least 50 per cent of schools, supported by products and services that have been co-designed with teachers.

The apparent low level of knowledge Aussies have in relation to super emerged several times during the banking royal commission.

Generally, it is recognised that the bargaining power of customers in the banking industry depends on their level of financial literacy.

What role do parents play in raising financial awareness?

But, when it comes to the dispersal of financial knowledge, do schools really carry all of the responsibility?

According to the OECD, students prefer to discuss money matters with their parents.

Its 2015 PISA results show that students in Australia who discuss money issues with their parents, at least sometimes, are two to four times more likely than students who never discuss these issues with their parents to report that they would save money.

"This suggests that parents may have a role in shaping their children's spending behaviour," the OECD concludes.

Furthermore, ASIC reports that eight out of 10 young Australians talk about money with their parents, and that those that do know more about money.

Ms Stylianou recognises that parents have a critical role to play in raising financial awareness.

"It should be a joint effort between schools, the government and parents. Each needs to support and reinforce the other," she says.

"Some research shows that financial literacy needs to start at a very early age, even around five."

Dr Campbell Heggen, lecturer in financial planning at the Deakin Business School, agrees with Ms Stylianou. He has children aged five and seven, and regularly talks to them about money.

"Parents need to understand the importance of money talk around the kitchen table and they need to include the children's natural curiosity with the workings of household finances," Dr Heggen says.

"Money should not be a taboo subject and possibly that is one of the reasons that it causes so much stress, because we don't feel like we can talk about money issues in a polite conversation."

He suggests that starting these conversations at a young age might lead to a healthier relationship with money when we reach adulthood.

Dr Heggen also emphasises the importance of pocket money in the digital age.

"If you look at any research around spending behaviour, you will see that people using non-cash payment methods regularly spend more than people using cash. With the touch and go economy we see that there is a new range of challenges for those who struggle to stick to a budget. So, if we don't acquaint kids with cash and piggy banks, how do we normalise this concept of money if it is just a number on a screen?"

> "Consistent with economics now being less available as a subject choice in government schools, there are sharply declining economics enrolments, especially in the comprehensive schools that the majority of students attend"
>
> – Jacqui Dwyer, head of information department, RBA

ASIC MoneySmart tools

On its website, ASIC offers a number of aids for parents who want to raise money smart kids but don't quite know where to start.

It advises parents to help children compile shopping lists, involve them in event planning, and discuss the concept of needs versus wants.

In 2012, ASIC also launched its MoneySmart Teaching program in Australian schools. The program aims to build the capacity of teachers to deliver financial literacy education in the classroom and effectively develop student skills and understanding around money.

According to ASIC's data, over 60 per cent of schools are accessing its MoneySmart Teaching resources, while 30,000 teachers have undertaken professional development through the program.

Additionally, 8 million teachers, parents and young people are visiting the MoneySmart website, Ms Higgins reveals.

Apart from real-life education, she explains, the website also offers games and online books to engage children.

One such game is MoneySmart Town, a competitive role-playing, money management game designed for primary students. The goal is for the students to successfully manage their money through events and challenges, while keeping their virtual family healthy and happy.

Ms Higgins admits that, although games are a great way to engage with financial concepts, children are naturally interested in money and how to use it.

"We know that young people spend a lot of time online and lots of things are gamified for interest. But when you are talking about money, you don't even need that," Ms Higgins says.

The waiting game

Despite significant effort to increase financial literacy among the Australian youth, OECD's PISA 2015 showed that there has been a "significant deterioration" since 2012.

It found that the share of students who scored below the baseline level of proficiency in financial literacy that is required to participate in society increased by 9 percentage points from 2012 to 2015.

Dr Heggen, however, advises that we need to exercise patience when reviewing future results.

"We need to be mindful that it can take a generation to measure the success of an early education program. It is going to take a long time for those results to pull through. It could be several decades before we actually know whether or not those early attempts are successful," he concludes.

Dissecting the business GROWTH FUND

It is no secret that Aussie small businesses are struggling to gain access to finance. In order to reverse this issue, the government has pledged to push for the creation of a private sector owned fund to support SMEs with growth potential

by Maja Garaca Djurdjevic

3 MILLION
small and medium-sized enterprises open for business in Australia

The funding gap between what small and medium businesses in Australia need and what is available on the market is estimated to be in excess of $80 billion.

According to research into the funding gap for patient capital, led by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), SMEs need capital over five to seven years to commit to and sustain growth. Capital of that sort is currently not available in Australia without bricks and mortar security.

Many small businesses find it difficult to attract passive equity investments that would allow them to grow without taking on additional debt or giving up control of their business.

In order to combat this problem, late last year the government announced it is encouraging the creation of a private sector owned business growth fund that is intended to provide long-term equity funding to small business.

The business growth fund would essentially combine 'old school banking' and a shark tank concept, offering high potential SMEs access to equity funding, while allowing them to maintain a majority share in their company.

The fund is expected to follow the model established in the UK in 2011, which has seen $2.7 billion invested in a range of sectors across the economy.

The government has taken the initiative to make sure that the fund is up and running this year and the current environment, following the outcomes of the banking royal commission, is expected to motivate banks to get onboard.

Current environment

Although there are 3 million SMEs in Australia, only 10 per cent have the potential to grow very quickly, reveals the ASBFEO, Kate Carnell.

These SMEs are seeking additional finance or capital to fund their projected growth, but are looking for unsecured or minimal security loans above the $100,000 currently offered by the banks and fintechs.

The capacity to receive loans over $250,000 is highly unlikely for SMEs, Ms Carnell says.

"Businesses that really have the potential to grow, if they don't get access to long-term capital – simply don't grow. Their growth is fundamentally vital for the economy, both from an economic growth perspective, but also from a job perspective," Ms Carnell noted.

"No capital, no jobs, no growth, that's really what it comes down to."

In August 2015, the IPA Deakin University SME Research Centre released the first Small Business White Paper, which included a chapter on the lack of affordable and accessible finance to SMEs and made recommendations to address this problem. The IPA advocated for the establishment of a loan guarantee scheme, based on those which exist in almost all developed countries.

This recommendation was included in subsequent IPA pre-budget submissions and has been adopted by various political parties at federal and state levels.

Additionally, in publishing the 2018 Australian Small Business White Paper, the IPA repeated its call for a structural change modelled on the British example wherein the banks are levied to create a corpus of funds to enhance access to finance for slightly higher-risk SMEs and start-ups. Since the government announced its decision to deliver significant structural change to SME financing in December last year, three of four major banks have agreed to take part, with some major super funds showing interest.

National Australia Bank stepped forward to lead and chair an industry working group towards the establishment of the growth fund.

$80 BILLION

the estimated size of the SME funding gap

Its executive general manager, business direct and small business, Leigh O'Neill, has said that the bank takes confidence from the UK and Canada, where such funds have operated successfully for years.

How will it function

The business growth foresees Australian banks and superannuation funds injecting equity capital into a fund, which in turn invests in Australian small businesses.

According to Ms Carnell, the growth fund will be a separate not-for-profit entity held by the banks and super funds. The government, she says, is only providing leadership in the process and will not be an investor.

"The business growth fund will probably focus on equity funding only, but it may offer loans. The rules will be that it will always pick up less than 50 per cent in the company. So, the investors won't be running the companies," Ms Carnell says.

A timeline and exit strategy will be put in place, she assures.

"Their role is to come, take some equity, make the businesses more bankable, help the companies with their business plans and then exit according to a preordained exit strategy," Ms Carnell explains.

According to the UK example, a lot of businesses can expect to be knocked back if their capacity for growth is deemed insufficient.

"Small to medium businesses that fit the criteria, essentially fast growth potential businesses, will apply and they will be weeded out based upon whether they are deemed to have good business cases and a capacity for growth," Ms Carnell clarifies.

According to her, for the fund to work there can only be one.

"The reason there can only be one is that APRA must make a special ruling with regard to the risk rating of this fund. It doesn't fit in any of the spaces that exist at the moment and APRA have indicated that they are willing to do that."

Tested path

The process to set up the fund is already underway. In December, a roundtable on the topic was held in Canberra. At the time, expectations were that the fund would be operational by June this year, but events surrounding the royal commission are expected to cause a slight delay. According to Ms Carnell, Australia can expect to see success very soon because it is taking a path mapped previously by the UK and Canada.

The UK growth fund was set up in 2011 by five banks, and has invested $2.7 billion in a range of sectors across the economy. It provides funding via equity, loan notes or a combination, and distributes products through 14 offices around the UK.

The Canadian fund was established last year by 14 members, and offers long-term investment between C$3-C$20 million, with equity positions between 10 and 40 per cent. The application process time is around 16 weeks.

Impacts of Hayne royal commission

The Hayne royal commission handed in its final list of recommendations in early February. Commissioner Kenneth Hayne's final report offers 76 recommendations, all of which the government and Labor have said they intend to implement.

Ms Carnell notes that the commission's findings are beneficial for the fund, as the banks desperately need to clean up their public image.

"The banks know very well that they have to regain trust and community respect and the growth fund really gives them the opportunity to show that they are willing to be part of the solution," Ms Carnell judges.

76

recommendations were proposed in commissioner Kenneth Hayne's final report, all of which the government and Labor have said they intend to implement

"They can do that together as a group. This is a good news story and the banks need a good news story."

Accountants back government efforts

Accountants working closely with small businesses have welcomed the government's initiative and believe the fund will provide much needed backing to prospective Aussie businesses.

"Small businesses are the backbone of the Australian economy. They are innovative, industrious and employ about half of all Australian workers. Unless they have bricks and mortar it is extremely hard for them to borrow money," Greg Sheridan, director and business adviser at Sheridans Accountants & Financial Planners, told Public Accountant recently.

He says that Sheridans Accountants has crossed paths with many small businesses that have had to abandon their growth plans due to a lack of funds. One such client, Mr Sheridan explains, had migrated from Germany to Australia with a dream to set up a packaging manufacturing plant.

> "Small businesses are the backbone of the Australian economy. They are innovative, industrious and employ about half of all Australian workers. Unless they have bricks and mortar it is extremely hard for them to borrow money"
>
> – Greg Sheridan, director and business adviser, Sheridans Accountants & Financial Planners

Read this online at publicaccountant.com.au

"We tried for almost a year to borrow money but were unsuccessful and the plan was eventually shelved. This is the type of business that the business growth fund could help," Mr Sheridan says.

He, however, admits that accountants are concerned that the government's definition of small business may miss the mark.

"Most small businesses we deal with employ less than 10 people, whereas the government seems to target businesses employing hundreds of people when giving grants," Mr Sheridan says.

Business Securitisation Fund

In February, the government introduced legislation necessary for the establishment of a $2 billion Australian Business Securitisation Fund to help SMEs access much-needed capital.

The securitisation fund differs from the business fund in that it is set up by government with government money, with the aim to make it easier and cheaper for second tier lenders and others to access affordable capital to lend to small businesses.

"It is a closed-up fund, it is not going to lend to small businesses. But it will provide access to capital so that others, not the big four banks, but other lenders can access capital that they can lend," Ms Carnell explained.

Throughout the years, the IPA has strongly reinforced the need for such a fund and was one of the first to applaud the government's move in November last year.

"We welcome and congratulate the Australian government for the creation of a $2 billion Australian Business Securitisation Fund, which will provide incentive and capacity to smaller banks and non-bank lenders to free capital up and lend to more small businesses. This will give those small businesses the confidence to grow and employ," IPA CEO Andrew Conway said at the time.

Mr Conway added that both funds will have long-term impacts on the viability of the small business community.

"These policy changes are a direct result of the applied research undertaken through the IPA Deakin SME Research Centre. This model of applied research is clearly leading the world in delivering critical reform to the SME sector, backed up with tangible policy announcements," he concluded.

PAYSLIP

ABN: 34 190 894 983	CODE: 06	EMPLOYEE NAME:	Ava Berrell
POSITION HELD:	Graphic Design Assistant		
COMPANY NAME:	Mass Market Inc.		
ADDRESS:	41 Main Street Newtown		

PERIOD: 01/03/19-31/03/19
DATE: 01/04/19
RATE: $100.00

INCOME			
DESCRIPTION	QUANTITY	RATE	AMOUNT
Wages for ordinary hours worked			$20 818.80
Leave taken during the pay period			$40 000.00
Entitlement			$63 541.21
GROSS EARNINGS			$309 360.[illegible]
DEDUCTIONS			
DESCRIPTION		BALANCE	AMOUNT
Superannuation contribution			$3241.65
Tax			$42 214.23
Other deductions			$1452.68
HECS			

PAID

The push towards DIGITAL

The deadline to adopt single touch payroll is fast approaching, providing an opportunity for accountants to help their clients reap the benefits of digital connectivity

by Linda Santacruz

→

VIEW PAYSLIP

The start of the new financial year may bring some challenging times for Australia's micro businesses.

Earlier this year, the government passed a bill that makes it mandatory for all employers of any size to adopt single touch payroll (STP), which is a way of sending employee pay information to the Australian Taxation Office through payroll or accounting software each time they pay their employees.

Before the bill, STP reporting was only required from businesses with 20 or more staff. With small entities now expected to comply, accountants are challenged to find ways to help their micro clients transition, as many are reluctant to take up payroll software they may not be able to afford.

"Given that a lot of smaller, micro employers aren't on a digital platform, [STP] is quite a significant imposition," says IPA general manager of technical policy Tony Greco.

"The accountant has to play a key role here and say, 'OK, this is going to be an ongoing reporting requirement. How can we best adapt to this new requirement?'"

Because of this, the ATO had put out a market tender request last year asking for companies to come forward with simple, low-cost STP solutions that are intended to best suit those businesses with four or fewer employees. The solutions should also cost less than $10 a month, take only a few minutes to complete each pay period, and not require the employer to maintain the software.

The ATO received proposals from 31 companies.

While the new STP reporting requirement can be a burden for some, it can also be an opportunity for accountants to teach their clients about new technology that might lead to better business outcomes.

"The accountant needs to do a cost benefit analysis. What if this reporting system gave you better information and drives the business better? It will pay for itself. For some people, this might be a good point in their business life cycle to consider the bigger picture," Mr Greco says.

> "Even though it's one additional reporting requirement, I would look at it a little bit more holistically and ask, could this be the tipping point for some businesses to go to the next step?"
>
> – Tony Greco, general manager of technical policy, IPA

"Even though it's one additional reporting requirement, I would look at it a little bit more holistically and ask, could this be the tipping point for some businesses to go to the next step?"

Boosting transparency

The Treasury Laws Amendment (2018 Measures No.4) Bill 2018, which was passed in February 2019, amends taxation legislation to extend STP reporting to all employers. This means businesses must send their payroll information to the ATO each pay cycle, whether it be weekly, fortnightly or monthly.

Details to be reported include payments such as salaries and wages, pay-as-you-go (PAYG) withholding and superannuation information. Employers were previously required to submit this data once a year.

But in order to boost transparency and combat non-compliance, more touch points were needed. This is especially important to ensure employers are paying their employees their superannuation.

"[STP helps] make sure the right amount of tax has been taken out of someone's pay, and make sure that the employer is adhering to the superannuation guarantee (SG). That's a huge problem in Australia. There's a lot of non-compliance. People aren't getting their entitlement, which is 9.5 per cent," Mr Greco says.

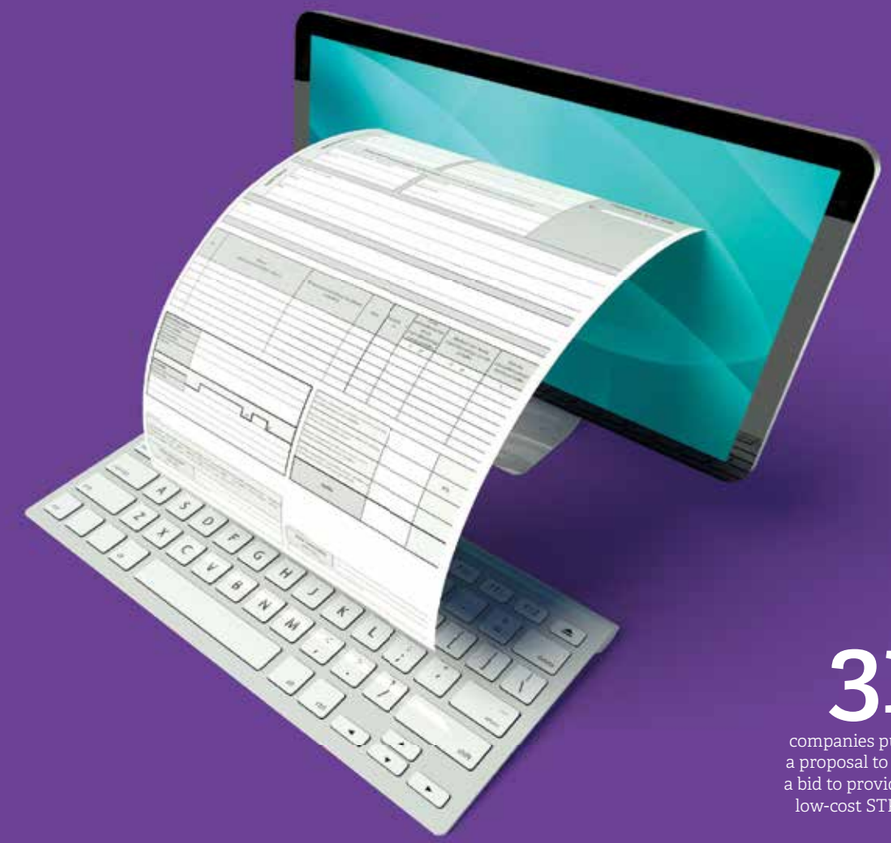
"It's very hard for the regulator to keep on top of non-complying employers. This is one step further towards improving the transparency around information. The system at the moment relies on someone picking up the phone and saying, 'Hey. I don't believe my employer is keeping up with my SG obligations'.

"This is one step closer. It still doesn't mean everyone gets their entitlement. It's not going to fix everything, but it makes it easier for the regulator to catch non-complying employers by improving transparency."

Right now, the majority of STP reporting is done through payroll, accounting and business management software. Most software providers are offering STP-enabled products, the ATO says. The deadline for all businesses to adopt STP reporting is 1 July 2019, although this date is flexible, the Tax Office says.

"We understand the move to real-time digital reporting may be a big change for employers, especially small business, so the ATO will adopt a supportive, tailored approach to help them undertake this change," says ATO assistant commissioner and single touch payroll lead John Shepherd.

"Our approach to extending single touch payroll from 1 July will be flexible, reasonable and pragmatic.



31

companies put forward a proposal to the ATO in a bid to provide a simple, low-cost STP solution

"Our immediate focus will be on helping micro employers transition to STP rather than penalising non-compliance. Remember, if you make a mistake, you will be able to make corrections.

"The first year is a transition and penalties will generally not apply."

While the soft start is appropriate, Mr Greco worries this might delay employers from getting started.

"[The ATO] is telling us that it could be quite a long time before they start to enforce the law requirement. We're comforted by that. But at the same time, it's not going to go away," he says. "At some point, they're going to have to think about how they can address this new reporting requirement."

A new wave of solutions

While there are many upsides to STP, many fear it will bring unnecessary costs to micro employers.

Many of the existing software options today are simply not built for entities with four or fewer employees. New technology tends to come with extra costs in administration and time, which is not always worth it.

"Digital might be the saviour for some, but the issue is more the cost of having the expertise to run it and the time. If the business owner doesn't have the time, they're going to have to get someone to drive it. If you're looking at the small business spectrum, they are already struggling with time," Mr Greco says.

"We understand that small businesses are already overwhelmed with the existing obligations. We also understand the policy intent. That's why we lobby the government and say, 'Look, you better make this as easy as possible. Go out and look at all options, including non-digital'.

"We tell the regulator that there are cheap options, but if the small business has to engage an intermediary, then that's going to cost."

This is why the ATO says it has committed additional resources towards helping small entities transition to STP.

> "Our approach to extending single touch payroll from 1 July will be flexible, reasonable and pragmatic. Our immediate focus will be on helping micro employers transition to STP rather than penalising non-compliance. Remember, if you make a mistake, you will be able to make corrections"
>
> – John Shepherd, assistant commissioner and single touch payroll lead, ATO

Part of this includes working with software providers on developing easy and low-cost solutions. Some of these companies include Reckon, Xero, MYOB, PwC, SRI Enterprise, Intuit and Easy Payslip.

The IPA has partnered with Reckon to establish white label product IPA Books+, which provides a low cost STP solution. IPA Books+ starts at a low cost of $5/month to monitor your cash book, view budgets, process payments, GST and produce over 45 types of reports. There's a raft of other features, including payroll for $3 per month providing the ability to manage pay runs, leave, super and STP for an unlimited number of employees.

"We understand that many small businesses and other small employers do not currently use commercial payroll software and they will not be required to purchase such software to report under STP. The ATO is working with software providers to develop low and no-cost reporting solutions including simple payroll solutions, portals and mobile apps," Mr Shepherd says.

"We are committed to supporting employers' transition into single touch payroll reporting and we have been provided with additional resources to help small business transition into the new system. Our priority will be to ensure all employers are able to make the transition, including supporting those who need more time or are struggling with the requirements."

With a new range of digital options on the horizon, an opportunity for accountants has emerged.

Finding an ideal way to adopt STP will be the biggest challenge for micro employers, as there is no one-size-fits-all approach, Mr Greco says. Accountants will play a huge role in helping determine the client's best option.

He adds that for many companies, STP might be the tipping point for going completely digital.

"Back in 2000, the GST imposed fairly substantial reporting obligations on entities. A lot of small businesses decided to go digital at that point. This is probably another example, a fork in the road where it might push them to say, 'OK. This might be another reason why we might consider a digital platform'. Some 30 per cent of small businesses are still not on a digital platform," Mr Greco says.

"Accountants have to help the client in the best way possible. That's the job of a lot of our members."

Providing support

According to Mr Shepherd, there are several ways accountants can help their clients with STP. The first way is by encouraging those with payroll software to speak with their provider.

"Your clients should find out how their payroll software provider will offer STP reporting. This may be through an update to their existing software or an additional service," he says.

"They should also remember to find out what support the payroll software provider will offer to their clients to transition to STP and subscribe to their payroll software provider's communications."

Moreover, accountants should encourage their clients to review their business processes, Mr Shepherd says. Accountants should check that their clients know about STP and ensure that they are paying their employees correctly and calculating their employees' super entitlements properly.

"They should ensure that they are addressing overpayments correctly and maintaining accurate information, including names, addresses and date of birth records," he says.

Mr Greco says accountants can also assist their clients considering taking up new software. However, it's important to remember that there is no one-size-fits-all solution, he adds.

"This is dependent on each client. They are all different and they all have different ways that they maintain their records. Some digital, some non-digital. Some cash, some credit," Mr Greco says.

"What we've been telling our members is go and have a look at what is in existence and look at streamline options for coming into this regime. For some, it may be worthwhile considering a digital payroll option. Our agreement with Reckon is definitely a low-cost option that's available to all our members. So, digital is obviously an option.

"That's an individual decision and the accountant should be well-versed in facilitating that transition."

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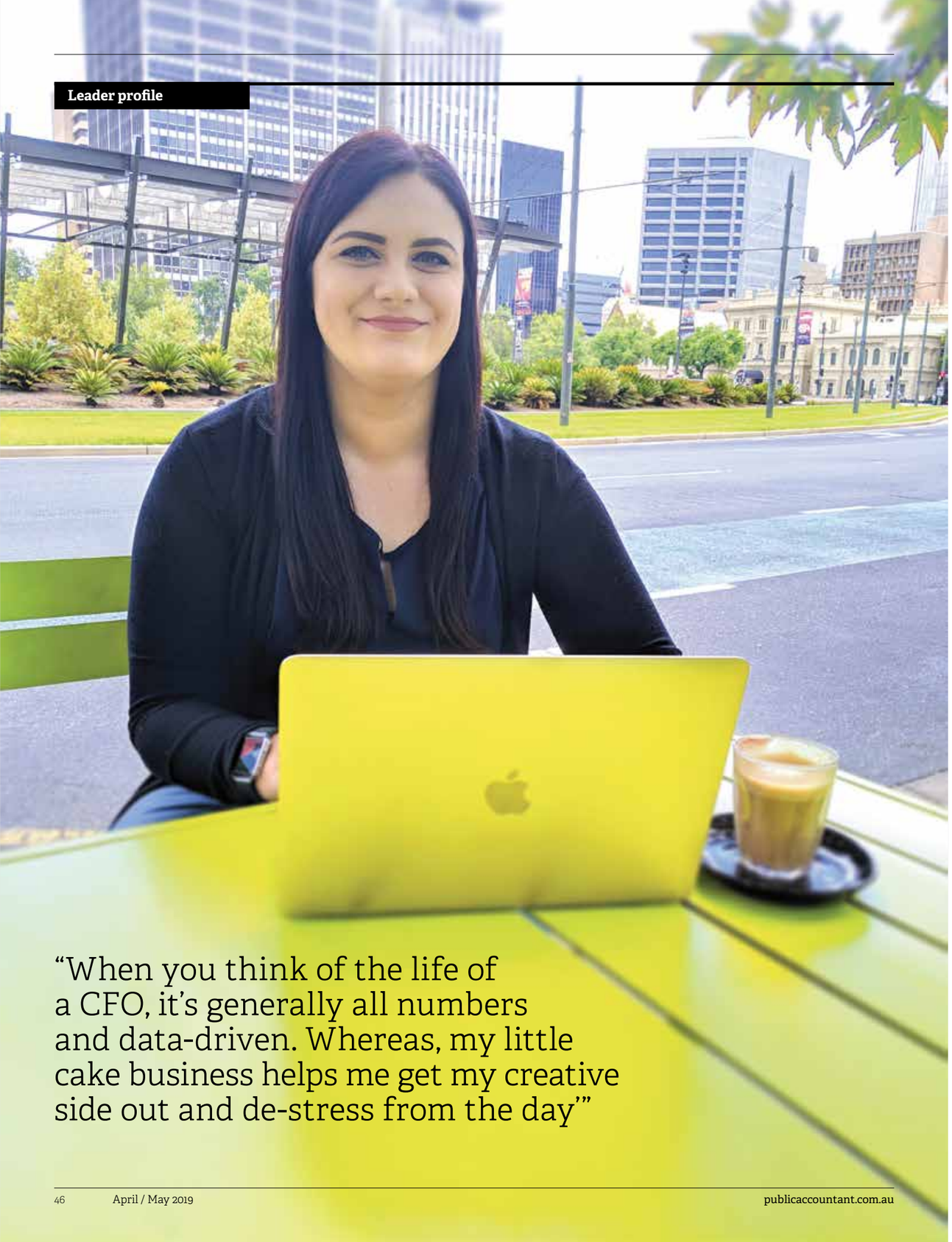

"When you think of the life of a CFO, it's generally all numbers and data-driven. Whereas, my little cake business helps me get my creative side out and de-stress from the day'"

Sweet SUCCESS

CFO by day. Baker by night. Caitie Copley of Accodex explains how she was able to quickly progress in her accounting career while also running a small side hustle

by Linda Santacruz

Caitie Copley has got a secret. By day, many know her as an ambitious accounting professional, who, in her short career, has already climbed her way into the chief financial officer seat at her firm, Adelaide-based Accodex.

Ms Copley has also already earned reputable industry awards, including Rising Star of the Year at the 2018 Australian Accounting Awards and Newcomer of the Year at the 2018 South Australia SMSF and Accounting Awards – both of which recognise her as an outstanding professional making great strides in her career.

And yet, there's another side to Ms Copley. By night, you can find her in the kitchen, baking and decorating cakes until the wee hours of the morning. Ms Copley says she started her side hustle, known as Cupcakes by Caitie, over a year ago as a way to express her creativity.

"When you think of the life of a CFO, it's generally all numbers and data-driven. Whereas, my little cake business helps me get my creative side out and de-stress from the day," she says. "I've always loved being in the kitchen. I love cooking and baking and making people happy through food."

But Ms Copley's cake business is not totally separate from her accounting life. A lot of the skills she's learned throughout her career have come in handy.

"I've got a kick-ass spreadsheet that I use to cost my cakes up. I've broken it down per gram cost and all the ingredients so I know exactly how much I need to be charging," she says.

"So, while it's a bit of a creative side hustle, I definitely got my accounting influence in there as well."

However, this isn't the beginning of a bigger cake business just yet. Ms Copley is still completely focused on growing in her accounting career and adding new partners to the Accodex network. She adds that her customers and colleagues are very understanding when it comes to balancing both commitments.

"Sometimes, I can only bake on the weekends or late at night. I'm a bit of a night owl anyway. It's pretty common for me to be up past midnight finishing up a cake," she says.

"But I want to keep it my little side hustle just for the next few years while I'm building up my corporate career. My 20-year goal would be to open up my own cupcake store, but only after I've done what I needed to do in the accounting industry."

A passion for business

Ms Copley didn't always want to work in accounting. When she was younger, she had dreams of becoming a primary school teacher. That was, however, until she took a business class in high school.

"I fell in love," Ms Copley says. "I thought, 'How can I turn this into a career?'"

So, she enrolled in a Bachelor of Commerce degree program at Flinders University and was offered a spot in the school's leadership program.

Ms Copley also became the director of finance for the Flinders Business School Student Association and the business development officer for the Flinders University Chapter of AIESEC. If that wasn't enough, she was also a mentor at her school, helping first-year students become accustomed to university life.

Ms Copley got her start in accounting in 2013 as an intern for Cirillo Hooper & Company, an Adelaide-based accounting services firm. There, she learned how to work on client accounts, complete their tax returns and prepare end-of-year compliance. The job had solidified her desire to work in the industry.

"I loved working with people and watching them grow and develop," Ms Copley says.

"It's a great opportunity to be able to influence other people's lives through numbers."

That same firm would later rebrand as Accodex in 2015 to reflect a new direction. In addition to providing traditional accounting services, the company now offers a tech-enabled platform for other accounting professionals that emphasises both cloud-based technology and business intelligence.

It achieved this through a merger with Clear Business Dynamics, a cloud integration specialist. Ms Copley had worked as the firm's finance manager before being named CFO and company secretary in 2015.

Today, Accodex has "partners" around the world, with accountants based in Australia, the US and Canada. Ms Copley says the firm has been able to grow its network by keeping its partners happy.

"We have been improving and adding to our value proposition and building our Accodex platform to keep our partners happy. Because if they are happy and successful, we are happy and successful," she says.

"It's about building the infrastructure that the partners can work off to eliminate any of the redundant tasks and roles, such as their workflow planning. If they don't have to develop their own system. They don't need to think too much about the back end of their business.

"We handle that for them, the billing, the finance, the workflows."

Ms Copley describes Accodex as a high technology firm that has truly embraced change and innovation in the accounting industry. The company, for example, is 100 per cent "cloud", she says, and uses accounting software such as Xero to automate many tasks.

"The accounting apps that we use are constantly being changed and upgraded. It's almost a full-time job in itself just maintaining the product updates so we can make sure we are advising our partners the best accounting software apps to help service their clients," she says.

"We also like to try and automate as many of the mundane and easy tasks as we can. By eliminating as many of those jobs, our partners can actually focus on offering more value to their clients."

As for the future of Accodex, Ms Copley says the goal is to add more partners to the network and expand to different parts of the world.

Working towards the dream

In her role, Ms Copley single-handedly manages the internal finances for the growing firm. She also looks after a portfolio of clients, providing traditional accounting services.

> "I fell in love. I thought, 'How can I turn this into a career?'"

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"I still get my hands dirty in the client book," she says.

"But most of my attention is focused on Accodex."

Ms Copley's career progression is what makes her stand out from her peers. It's also what ultimately earned her two industry awards last year – the Rising Star of the Year and Newcomer of the Year.

Both awards are intended to recognise an outstanding accounting professional who has demonstrated an exemplary commitment to success in their career in the accounting industry. It considered the activities, strategies and actions of the rising star in terms of positioning themselves for future success.

Ms Copley says she was honoured to receive both awards. She says a certain quote had inspired her to work hard to get where she is today.

"'Dreams don't work unless you do'. I read that as nothing comes easy. You need to work hard to make your dreams come true," she says.

"I went into those awards not expecting anything. I was honoured enough just to be nominated. It was a great surprise to actually win both of them. I'm just glad that my peers see potential in me."

It just might lead her towards accomplishing another dream of hers. As a passionate fan of the Australian Football League, Ms Copley says she hopes to one day become the CFO of the Adelaide Crows.

"Growing up watching football with my family is among my fondest memories of my childhood. I hope to one day combine my skill sets in finance and accounting with my love for the Adelaide Crows," she says. "It would honestly be a dream come true."

Playing to YOUR STRENGTHS

Keith Marshall became a partner in a Perth-based accounting practice at 21. Now a qualified accountant and tax practitioner, he still finds time to help others realise their potential

by Maja Garaca Djurdjevic

At the age of 21, Keith Marshall likely became the youngest partner ever named in an accounting practice in Australia.

But for Mr Marshall, accounting wasn't initially part of the plan.

While still in high school, he had planned to study psychology at Murdoch University. However, after falling one point short of the cut-off score, he ended up enrolling in primary teaching.

"The only thing I could really get into at the university I wanted to attend was primary teaching. So, I enrolled but only took psych units," Mr Marshall says.

But, as expected, he lacked interest in teaching from the get-go and when he was offered a full-time job at a search engine marketing company, Mr Marshall decided to pursue the opportunity.

He was only 19 at the time.

The truth was, Mr Marshall now admits, the job was not part of his plan, either. He had in fact decided early on that he did not want to be scraping by with a low-wage service job. However, he had an inherent inability to say "no".

The YES man

"I would work Saturday nights because no one else in the company wanted to take those shifts. I was working a full-time job, trying to juggle my studies, manage my parents' expectations, all because I just couldn't say no to anyone," Mr Marshall says.

While attending a meeting of the Intercampus Queer group that Mr Marshall had launched to support young people, he was introduced to a personal development course that had helped a psych student advance from passes to distinctions in three short days. So, he decided to give it a go.

"The course, called the Landmark Forum, really opened up and altered my whole world. It's probably the best thing I could have ever done at such a young age," Mr Marshall says.

"Literally one day after the course, my manager asked me to do something and I said no. I was on the verge of tears and she reacted like it was no big deal at all. Since that moment, I really haven't been constrained by saying no to things."

"My manager asked me to do something and I said no. I was on the verge of tears and she reacted like it was no big deal at all. Since that moment, I really haven't been constrained by saying no to things"

Three weeks later, Mr Marshall left his job.

Still in his teens, he decided to slow down and allow himself time to figure out what he wanted to do next.

"One Saturday night I was out to dinner with a group of people from the course. We had been talking about our struggles. One guy who was running a landscaping and lawn mowing business was talking about spending several hours a day on bookwork," Mr Marshall says.

"He was spending like 10 hours a week, after having worked all day, doing bookkeeping. He was doing it all by hand and I remember thinking surely there must be a better way."

Mr Marshall had topped his class in accounting in high school so, naturally, he lent his support.

"So, I went to help him. I taught myself MYOB and ended up reducing the time he spent on bookkeeping by a quarter," he says.

So, the chance dinner led to a new career and one in which Mr Marshall now enjoys great success.

"From there I started doing bookkeeping. I got a bunch of clients and actually did that for a while. After about two years, my clients were demanding I do their tax returns," Mr Marshall says.

Partner at 21

In order to meet their needs, in 2003, Mr Marshall entered into partnership with a tax agent.

"I was 21 at the time and likely became the youngest partner in practice in Australia. At the time there were about 21,000 partners in practice, countrywide," he says.

"From there I did a skills recognition and got an advanced diploma of accounting. I then did a graduate certificate in professional accounting through the University of New England. At the time it was equivalent to the first four units of the master's qualification."

That year, 2009, was busy for Mr Marshall. He became a registered tax agent and joined the Institute of Public Accountants (IPA).

Most importantly, Mr Marshall bought out his business partner and became a sole practitioner. However, after several years of growing the business, Mr Marshall decided that something wasn't quite right.

"I started thinking of having kids and my work/life balance, so I decided to look for a better way forward," he says.

"While thinking about succession planning, I realised I didn't have someone in my staff willing to step up and take on my responsibilities. So, I started looking for potential business partners."

Mr Marshall says his offer attracted about 18 people, and in 2015 he eventually merged with a similarly-sized peer.

"That's where I am today," he exclaims.

Besides accounting, Mr Marshall has many passions, and the most prominent is helping others realise their potential.

Since 2013 he has been involved as both a participant and a leader at Landmark Worldwide, a global leader in personal and professional training and development.

In 2017, he was a mental health hero/mentor at WA-based charity zero2hero, working to increase the understanding of mental health issues among children and young people. He volunteered at Camp Hero, which trains young leaders to be mental health leaders in their communities.

Mr Marshall has made many positive memories in community/volunteering work but has also seen his share of tragedy.

"I was working in peer-based sexual health with young LGBTI+ people, and one of our clients committed suicide. He was working with a well-known counselling service here, and I was, unfortunately, one of the last to speak to him."

This triggered his interest in counselling.

"Recently I went back to the personal development course that got me into accounting in the first place and was reflecting on what had happened to that young person and am now a qualified counsellor," Mr Marshall explains.

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Counselling is the difference

He admits that being a qualified counsellor has made a big difference in his accounting career.

"I had a client who had not been in contact for years. I had tried to reach them, unsuccessfully, and had no idea what was going on with them. So, after some time they came in and said that they had been depressed and struggled to actually tell me what had been going on in their life for all that time," Mr Marshall says.

"It was literally like they had brain fog and I was one of only a few people they had told. But, because of my training, I was able to have a chat to them about their state of mind and check they were OK."

He stresses the importance of mental wellness and suggests that everyone should undergo mental health first-aid training.

"I believe that just as most people do first aid training every few years, I think we as a society should do a mental health first aid course," Mr Marshall says.

He says that it is important to recognise that accountants have a hard time too.

"You only have to drive through the city between Christmas and new year, when the rest of the world is closed, and see the lights on in the big four accounting firms," Mr Marshall says.

"They do year-end for American companies, so they all work very long hours. My friends in the industry, who work in junior roles for audit companies, are doing 60 plus hours a week.

"This industry is not very flexible. The way our deadlines work is crazy."

Mr Marshall encourages his employees to take time off regularly.

"We have had a look at this year and know that Easter and Anzac Day are all around the same time, so we have suggested some employees take time off. That will be a good 10-day break ahead of the tax deadlines," he says.

"Over Christmas time we encourage closing down the office for two weeks so people can entirely disconnect from work over that period. Also, it's not great to sit at your desks all day. Luckily, our office is near the river, so we take walks around the block."

Mr Marshall says it is important to know your employees and recognise their individual pressure points.

Recognise your strengths

As for his personal development, Mr Marshall admits that he has always been interested in furthering his personal growth, which has pushed him to pursue courses and seminars all over the world.

"I have always been somebody who is interested in my own growth, development and success. I have a really supportive environment, friends and people around me," Mr Marshall says.

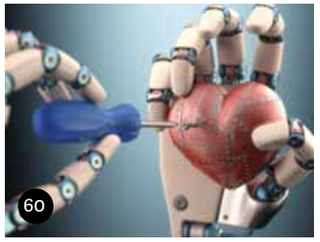
Reflecting on his accomplishments in 2018, Mr Marshall says the recipe for success is looking ahead and embracing new challenges.

"I got married last year, I flew over a 100,000km last year, I finished my counselling diploma in a record 13 months, I started a second business unrelated to accounting, and a bunch of other things," Mr Marshall recounts.

"Something I learned early on in business is to play to your strengths and don't do something you are bad at," adds Mr Marshall. "Be aware of your weaknesses so you can be responsible for them, but if you always work inside of your strengths things will just come together."

Business building

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



Here's how to be more social

It's no secret that social media is a major channel of choice for small to medium businesses. The harrowing part is, social media, if not used wisely, is a money pit

by Michelle Tucker

What is social media?
A computer-based technology that facilitates the sharing of ideas, thoughts and information through the creation of virtual networks and communities.

Michelle Tucker,
head of digital and marketing, Momentum Media

Social media, has democratised audience acquisition enabling businesses and marketers to move away from expensive channels, such as traditional TV and radio, and has instead enabled cost-efficient ways to spread a message to a targeted audience.

As far as audience size goes, the most used channels in Australia are Facebook and YouTube, each with over 15,000,000 active users recorded as of January 2019 (data from social media agency Vivid Social). Instagram, a close third, follows with over 9,000,000 active Australian users. It's obvious why marketers and small business owners are desperate to put advertising and communications into these channels to drive awareness and sales. Today, social media has become a way to get the word out about your business and drive customer growth and revenue.

Without a social media department, it is possible to have a functioning presence. Social media is inexpensive – it does take time, but businesses can get great returns from modest input.

Social media is the opposite of the memorable quote from *Field of Dreams* – if you build it, they won't come. It's essential to define your objectives, know your audience and determine a plan before embarking on social media work.

1. Define your objective

Articulate why you want a channel and what you want to achieve. Consider both the organic (non-paid) and the paid (advertising) social program, be sure to define objectives for each. Be realistic about your time, the effort you can give to social media and also your budget.

2. Define your audience

Gone are the days of "spray and pray" marketing. Facebook, for instance, has amazing targeting capabilities and businesses are able to, using paid advertising, reach audiences based on their demographics and psychographics. To build your ideal audience, one tip would be to sit down with a pen and paper and map out the behaviours and qualities of your existing customers. Rather like building a persona, consider if your audience is married, has kids, are managers, interested in sport, food, finance, health, are plumbers, electricians etc. Replot these audiences into your social channel of choice and your targeting will be laser focused.

3. Develop a content plan

Consider what your audience is interested in and what your business is about. How can the two needs converge to deliver content that engages. Consider the mediums you can use for content – image, text or video. With so many brands on social media jostling for consumer headspace, it's essential to deliver an innovative content program that will "cut-through". Building out a content plan for an organic or paid strategy requires time to both prepare as well as analyse performance data. Of course, the more engagement you get, the more your content will be seen by more audiences (have a read about social media algorithms).

Executing social media takes time, but there are plenty of tools that can help. With the advent of user-controlled tools such as Canva for design, Fiverr and Freelancer to outsource, stock-video sites and also scheduling tools such as Hootsuite and Buffer. Facebook even has message responder bots to personalise. From a paid point of view, businesses can inexpensively generate engagement and leads by offering information for free. In many cases, promoting an eBook, white paper or webinar download in exchange for an email address can drive awareness and interest in your business. With Facebook and Instagram (Facebook bought Instagram for $1 billion in 2012) an ad impression buy can start at $1 per day. Whereas action based (likes, video views or post engagement) ad campaigns require a minimum spend of $5 per day. The time-consuming element is optimising the campaign. Optimising may require audience or creative changes. Like any science experiment, amend one element at a time to see what is working. Once you have found an approach that works – scale.

Whichever path you choose with social media, practice makes perfect and once refined will be a great tool for your business.

Here are some other final tips before you begin.

1. Use images – if you have a visual business, you are in luck. If not, think about what images are relevant to your brand and build a library.

2. All social channels use hashtags or keywords. Research the keywords and hashtags most relevant to your brand and use them. Hijack some popular keywords and create your own branded ones.

3. Provide some value across organic and paid content – create an emotion or provide information.

4. Explore advertising options and test your ideas from as little as $1.

5. Respond to every person who engages with your brand. Respond with a like, a thank you or a comment, depending on what's required.

6. Your organic strategy should be about informing and engaging the audience you have. The paid strategy should focus on bringing new people into your business or at the very least ensure they follow you or like your page.

7. Consider what content should go out across each channel on any given day. How many times a day or week you post depends on your business and audience.

8. If you can, be timely and respond to popular events or news items that are relevant to your brand.

9. Learn how to remove comments and block users from each channel – should you need to.

10. Research – there are plenty of free tools and low cost paid ones to help you learn about the intricacies of social media. Facebook has Blueprint and YouTube has the Creator Academy.

Cyber-proof your business: 8 steps to better internet security

Businesses can't operate without the use of email. But their reliance on the internet is putting them on the radar of malicious online scammers. Matthew Warren, professor at Deakin University, shares a number of handy tips to help businesses cyber-proof

by Matthew Warren

Matthew Warren,
professor of cyber security, Deakin University

Businesses are increasingly dependent on IT, how has their vulnerability to cyber attacks increased?
As organisations use more IT systems, they become more dependent, this means that their dependency becomes a vulnerability. The reason for this is organisations have no alternative manual systems to use, we have seen examples of airline checking systems and bank failures that cause major impact to customers. The vulnerability increases as the complexity and reliance on systems increases.

Many organisations are now looking at the concept of cyber resilience. This is the ability of an organisation to deliver the intended online services despite adverse cyber events. Cyber resilience is an evolving perspective that is rapidly gaining recognition and is directly linked to cyber security.

We have witnessed a rise in email scams that are becoming very difficult to distinguish from genuine emails. What should businesses look out for?
The issue is around awareness.

Be aware of the following:

- Generic greetings, such as "Dear customer";
- A sense of urgency: "Ensure your invoice is paid by the due date to avoid unnecessary fees";
- Bad grammar or misuse of punctuation and poor-quality or distorted graphics;
- An instruction to click a link to perform an action;
- Obscure sending addresses that don't match the real company's domain URL.

If in doubt, type the web address (URL) directly into your browser rather than clicking the link, or better still, phone the company.

Can cyber security issues destroy a business?
Yes, cyber security can seriously impact organisations. Organisations can lose customers, market share etc, in larger companies they are more resilient to recover from an attack. For SMEs the impact can be dramatic, e.g. they have a smaller customer base so any decrease on their customer base will have a dramatic impact, from which they cannot recover.

A key issue that I mentioned before was cyber resilience; an organisation that has good cyber resilience should be able to quickly recover from a cyber incident and minimise the impact that it will have on customers.

What should businesses do to protect themselves?
The Australian Cyber Security Centre proposed that while no single mitigation strategy is guaranteed to prevent cyber security incidents, organisations are recommended to implement eight essential mitigation strategies as a baseline.

This baseline, known as the Essential Eight, makes it much harder for adversaries to compromise systems.

The eight steps are:

1) Application whitelisting
Application whitelisting of approved/trusted programs to prevent execution of unapproved/malicious programs including .exe, DLL, scripts (e.g. Windows Script Host, PowerShell and HTA) and installers.

Why: All non-approved applications (including malicious code) are prevented from executing.

2) Patch applications
Patch applications e.g. Flash, web browsers, Microsoft Office, Java and PDF viewers. Patch/mitigate computers with 'extreme risk' vulnerabilities within 48 hours. Use the latest version of applications.

Why: Security vulnerabilities in applications can be used to execute malicious code.

3) Configure Microsoft Office macro settings to block macros
Configure Microsoft Office macro settings to block macros from the internet, and only allow vetted macros either in 'trusted locations' with limited write access or digitally signed with a trusted certificate.

Why: Microsoft Office macros can be used to deliver and execute malicious code on systems.

4) User application hardening
Configure web browsers to block Flash (ideally uninstall it), ads and Java on the internet. Disable unneeded features in Microsoft Office (e.g. OLE), web browsers and PDF viewers.

Why: Flash, ads and Java are popular ways to deliver and execute malicious code on systems.

5) Restrict administrative privileges to operating systems and applications
Restrict administrative privileges to operating systems and applications based on user duties. Regularly revalidate the need for privileges. Don't use privileged accounts for reading email and web browsing.

Why: Admin accounts are the 'keys to the kingdom'. Adversaries use these accounts to gain full access to information and systems.

6) Patch up operating systems
Patch/mitigate computers (including network devices) with 'extreme risk' vulnerabilities within 48 hours. Use the latest operating system version. Don't use unsupported versions.

Why: Security vulnerabilities in operating systems can be used to further compromise systems.

7) Multi-factor authentication
Multi-factor authentication, including for VPNs, RDP, SSH and other remote access, and for all users when they perform a privileged action or access an important (sensitive/high-availability) data repository.

Why: Stronger user authentication makes it harder for adversaries to access sensitive information and systems.

8) Daily backup
Daily backups of important new/changed data, software and configuration settings, stored disconnected, retained for at least three months. Test restoration initially, annually and when IT infrastructure changes.

Why: To ensure information can be accessed again following a cyber security incident (e.g. a ransomware incident).

Is cyber proofing costly for businesses?
Yes – the issue is that there is no return on investment, e.g. investing in cyber does not increase profit or lower operating costs. Cyber proofing protects an organisation so that they can operate, so it could be considered as insurance.

In large organisations, cyber security is now considered a board issue and often discussed at the board level, but with SMEs it is harder for those discussions to occur.

Late last year, the government announced a $10 million cyber security initiative, how important is it for the government to get involved in helping SMEs navigate this issue?
Federal and state governments have a key role to play in protecting SMEs. For SMEs, the issue relates to awareness and access to resources that can help them to improve their security.

It has been recognised that SMEs are the weakest link in the Australian cyber security chain, so more has to be done to help and support SMEs.

SCAM

Scamwatch

If you've identified a scam email, report it to Scamwatch at ***www.scamwatch.gov.au.***

Scamwatch is run by the Australian Competition and Consumer Commission (ACCC). It provides information to consumers and small businesses about how to recognise, avoid and report scams. If an organisation has been a victim of a cyber attack, they can report it to the Australian Cyber Security Centre: https://acsc.gov.au/incident.html

The (human) ethics of artificial intelligence

AI may be inevitable, but ethics and wise integration of AI are not. AI's power will fall short of its promise, if its implementation isn't mindfully shaped and informed by the heart. Kablamo founder and co-CEO explores

by Allan Waddell

Allan Waddell,
founder and co-CEO, Kablamo

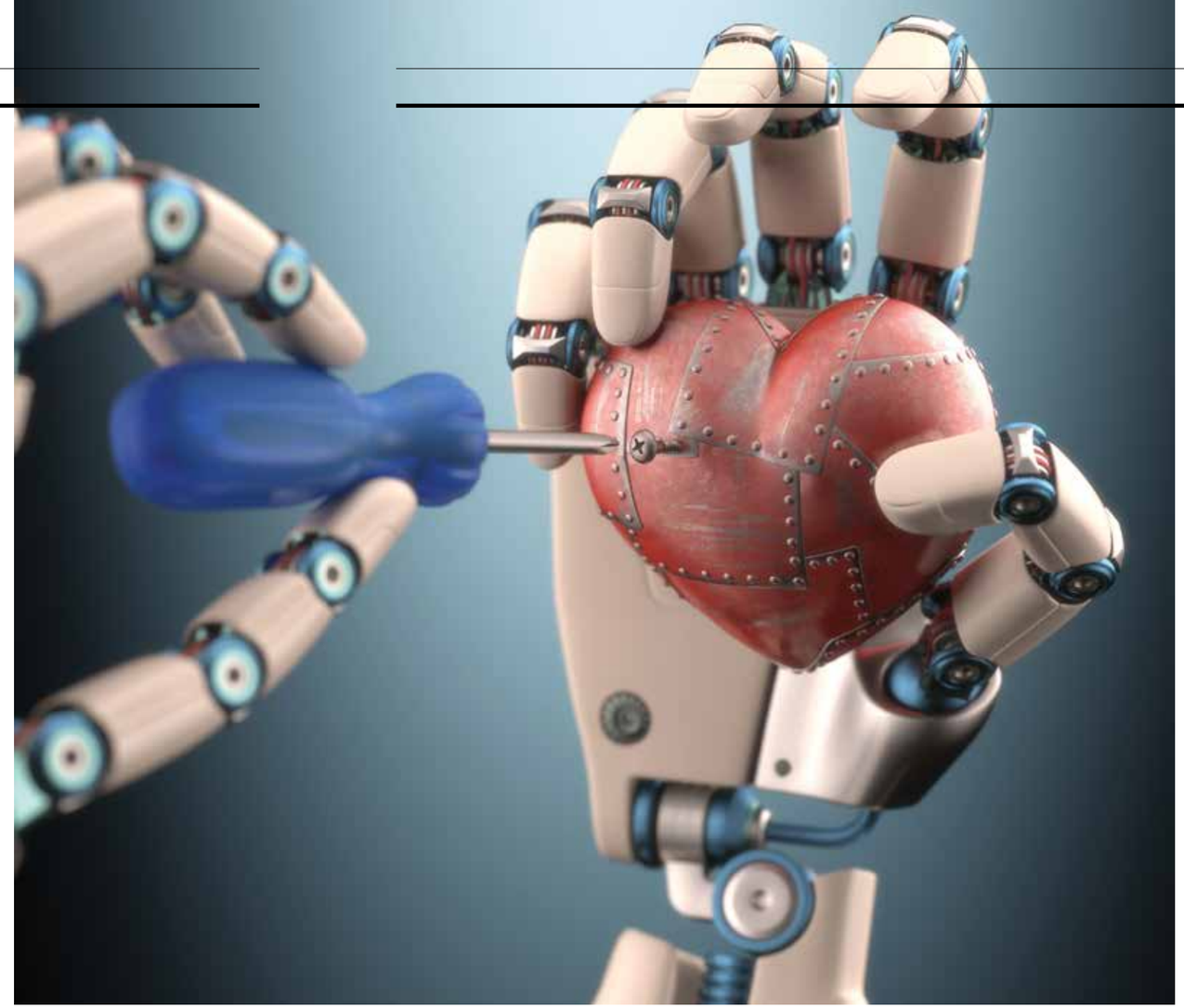
Remember those three laws of robotics penned by Isaac Asimov?

1. A robot may not injure a human being or, through inaction, allow a human being to come to harm.
2. A robot must obey the orders given it by human beings except where such orders would conflict with the First Law.
3. A robot must protect its own existence as long as such protection does not conflict with the First or Second Laws.

As far back as 1942, we were wrestling with the ethical implications of thinking machines. We are rapidly approaching the intersection of silicon and cognition. It is more important than ever that we update Asimov's laws to ensure that humans are the beneficiaries rather than the victims of artificial intelligence: a concept that is no longer in the domain of science fiction.

Our first brush with these concerns at a practical level surfaced a few decades ago when wide scale automation became a reality. The fear was that hard-working humans would lose their jobs to less expensive and more efficient robot workers. Companies were focused more on short-term profits than the long-term effects on millions of newly unemployed factory workers who were unprepared to re-enter the labour force.

This ethical dilemma has not been resolved. And with the advent of AI, it might well have been exacerbated. Now that we are that much closer to producing machines that can think for themselves, we must consider ethical implications that even Asimov couldn't fathom. Before jumping on the AI bandwagon, consider the following:



A proper education

Intelligence without ethics is dangerous. Human intelligence is tempered with human empathy. This is not a bug, but a feature. We do not want people making laws that affect us who demonstrate a lack of human empathy. And we should be just as wary of machines that wield intelligence sans empathy.

Part of the way humans learn empathy is via the process of education. From the time a baby is placed in a mother's arms, she is engaged in the process of education. Something very similar happens with AI.

> "We are rapidly approaching the intersection of silicon and cognition"

Ethical AI begins with ethical training. AI is not merely programmed, it is trained like a human. It learns like a human.

To learn the right lessons, AI has to be trained in the right way, or ethical problems will inevitably arise. They already are. Recently, facial recognition systems for law enforcement have come under fire because it had the tendency to misidentify people of colour as criminals based on mugshots.

This is a training issue. If AI is predominantly trained in Euro-American white faces, it will disadvantage ethnic groups and minorities.

As a start-up, you cannot settle for the first off-the-shelf solutions that give you a short-term advantage. You have to vet your AI solutions like you do employees, ensuring to the best of your ability that they have received a proper, ethical training.

When better is worse

Every company wants the best, most efficient, most productive processes possible. But there are times when better is worse. One example is customer service. There is a good chance that in time, an AI solution such as Google Assistant will do a better job at making appointments, answering questions and making outgoing sales calls. When that time comes, AI still might not be the right solution.

The simple matter is that humans want to talk to other humans. They do not want to talk to technology when they are stressed. If a person is calling for customer service, that means something has gone awry. And they are experiencing a higher state of stress.

What they need is human contact. They want their problem resolved. But they also want to feel like they have been heard. That is something AI cannot, and possibly should not attempt to do. The decision to eliminate humans from call centres has ethical implications.

You have to consider the ethical implication for every AI deployment in your business. If there is one thing we have learned about customer behaviour, it is that they repeatedly bypass better systems for more human friendly systems.

The final analysis

AI is inevitable. You might already be using it right now without being aware of it. There is no doubt that the proper application of AI will make you more efficient and save you money. It will even help you avoid blunders that would have put an end to your venture without it.

That presents us with the temptation to rely on AI as the final arbiter of all matters relating to our business ventures. What we have to remember is that all business is a human-to-human enterprise. AI can make it better. But you should always reserve the final analysis for yourself: the human with everything on the line.

How to build up your resilience

Some people have the ability to face adversity head on and keep moving forward despite experiencing setbacks. It may seem as if people who display such resilience are simply emotionally and psychologically stronger than others; however, this isn't necessarily the case

by Louise Chan

Louise Chan,
content producer,
Momentum Media

Resilience is a learnt trait. Building resilience is a challenging journey and individuals must exert great effort to choose actions that strengthen their resilience with every new challenge they face.

For instance, it's easier to tell someone to simply get over a long-term relationship that ended than to actually do it. The affected person must develop the capacity to manage the situation and react more positively instead of face it with indifference or through any self-destructive means.

Below are Wellness Daily's five tips on how to build resilience:

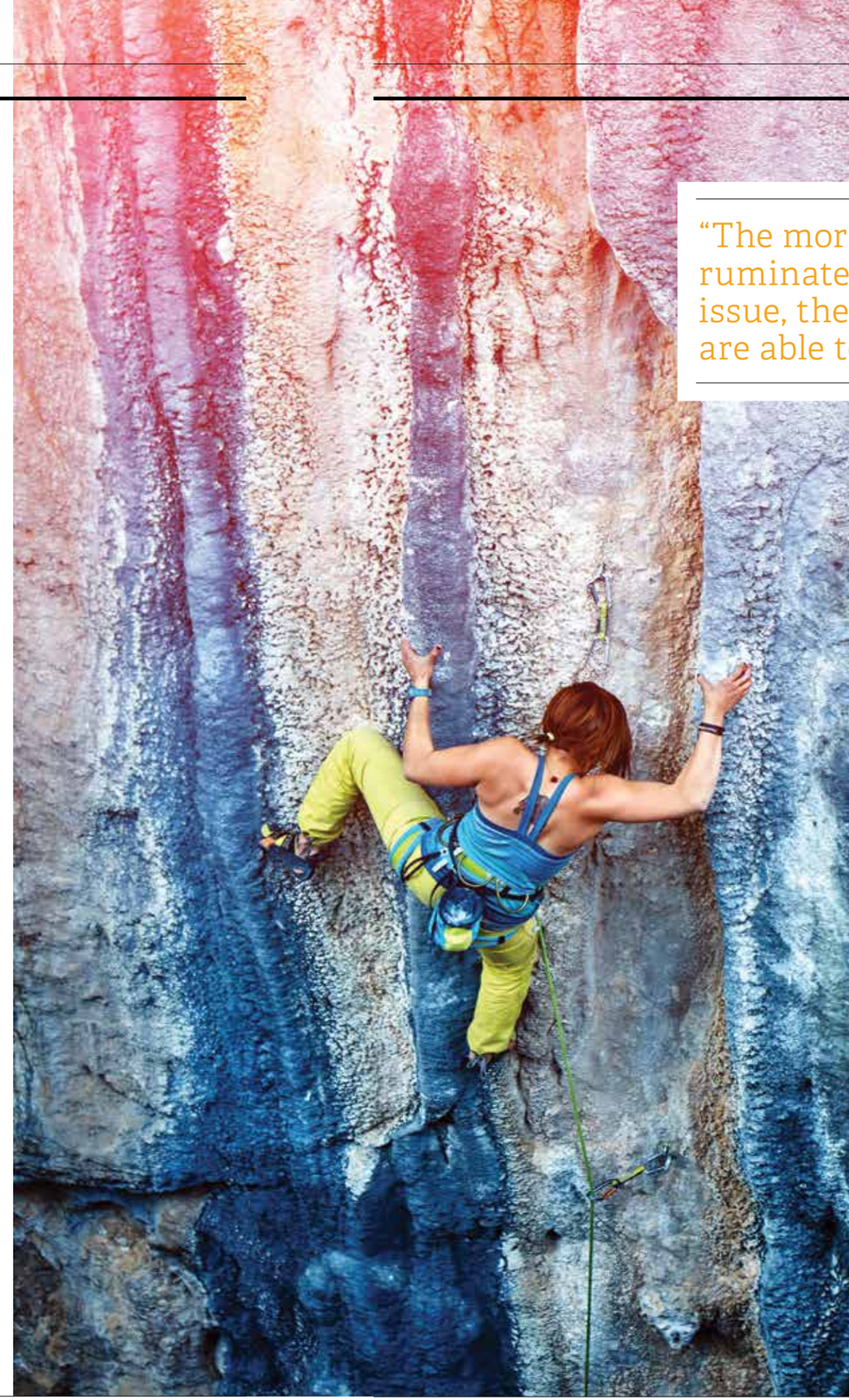
- Focus on self-care and control
- Practice mindfulness
- Master the art of letting go
- Leave communication lines open
- Learn from mistakes

Focus on self-care and control

Practising self-care is very important in building personal resilience. After all, the better a person's ability is to take care of and focus on themselves and their needs, the more motivated they would be to reach their goals in spite of setbacks.

Exercising self-control is also important in the midst of facing a challenge – especially when it's easy to lose themselves in negative emotions. Individuals need to be able to draw a line between what is deemed to be a "normal" amount of stress and an unhealthy amount of negativity so that stress levels don't spiral out of control.

These two are critical in times of crises, so they should be constantly developed even during "peaceful" times.



> "The more a person ruminates about a past issue, the less likely they are able to move on"

Practice mindfulness

Mindfulness is the psychological state that urges an individual to be in the present and take in experiences fully and as they happen. Practising mindfulness can help individuals take a step back and focus on addressing whatever is happening and how these issues can be solved in the present.

It's a lot like how mountaineers focus on putting one foot in front of the other instead of constantly thinking about how much more of the mountain they have to scale. Instead of constantly worrying about the future, practising mindfulness allows them to look at issues from different perspectives so that they can knock down problems one at a time.

Master the art of letting go

Rumination – the act of obsessively thinking about a person's cause of distress – can be detrimental to one's mental health and is also a great barrier to building personal resilience.

People often think about a past event in order to scrutinise it and determine what could have been done differently – or to simply desensitise themselves. In some cases, however, ruminating keeps these events fresh in their minds. The more a person ruminates about a past issue, the less likely they are able to move on.

The best way to avoid prolonged stress brought about by rumination is to accept that something happened, let go and face the consequences. Letting go doesn't mean forgetting whatever happened; it should pave the way for people to face the aftermath of issues, shake the dust off and start focusing on how they can achieve their goal in spite of what happened.

Leave communication lines open

Leaving communication lines open to family and friends is also important because this allows individuals to receive support that they may need from time to time. It's true that most strategies in developing resilience focus on the self, but as the old saying goes, "no man is an island". Resilience doesn't mean becoming self-centred or egocentric, nor does it require individuals to do things by themselves.

Resilience requires a person to centre themselves so that they understand themselves better, learn their limits and know when to accept or reach out for help. Becoming resilient doesn't necessarily mean doing everything alone.

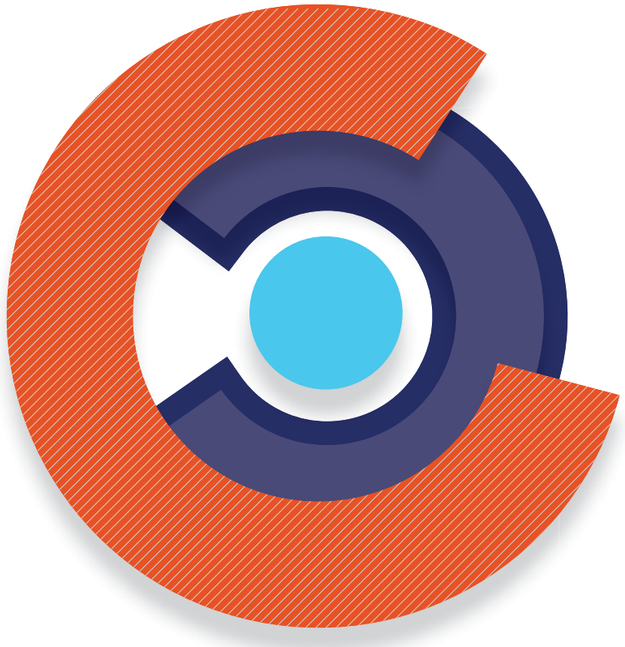
Learn from mistakes

People make mistakes and no individual is exempt from this – it simply isn't realistic to avoid making a mistake at all times. When facing an uncomfortable circumstance or a tough challenge, each mistake can be treated as an opportunity to learn. This way, a person knows what to avoid the next time around.

What's more important in building up resiliency is the person's ability to face the challenges they encounter – and learning from previous mistakes gives them the assurance that they can face similar challenges in the future but still achieve better results because they know better.

360 DEGREES

How is the importance of mental health emphasised in your business?



Simone Palfreyman

principal
Palfreyman Chartered Accountant

As a small business accountant, I regularly meet with clients who completely underestimate the importance of staff wellbeing to the success of their business. They fail to appreciate how mental health can severely impact the productivity and quality of an employee's work and the overall team spirit.

So how can businesses help their employees to manage their mental health? This is a tricky question and most of us wish we had studied psychology at some point. Here are some strategies which have helped make my business a success:

Flexibility – I strongly believe that a work/life balance is important for both the sustainability of the firm and the employee. By allowing employees the opportunity to do things they love or feel they need to do, they work harder and more efficiently.

Employee needs – Understanding an employees' needs and desires is essential for a team to work efficiently and effectively. It is important to understand what makes an employee work better: whether that be a quiet place to work or something as simple as colour co-ordinated stationery and mellow background music.

Empowerment – Encourage your staff to voice their opinions, offer suggestions and take ownership of proposed changes. By empowering and respecting your employees, you allow them to take ownership of issues and contribute to the success of the firm

Taking the time to understand your staff gives you the opportunity to help them grow both professionally and personally. Understanding, respecting and supporting your employees is a great way to encourage positive mental health in your business.

Francis Rigby

advice development manager,
Financial Advice Matters

As holistic wellness advocates and leaders in financial wellness, it has been critical for us to walk the talk within our business. We have had to tailor our approach to our team and what is important to them. It is a journey where we continue to adapt.

Our teams' wellbeing is an important part of our business success. Like many, we have focused on the usual support, particularly around flexible work conditions, ability to work part-time or work from home, access to EAP benefits and individual support. We have involved external speakers to assist our team gain practical skills.

All of this is great, however we found it very reactionary. So we took a more proactive approach.

It was important to understand our staff, their why and what drives them to be happy. We conducted staff interviews. It is no surprise that family was important to most. Aligning actions with their values is such an important step to be in a state of happiness.

Incorporated into our culture are a set of behaviours and a number are linked to supporting fellow team members. Open communication and awareness of support mechanisms is so critical.

As part of a broader business realignment, we embarked on a journey just over two years ago to support other businesses deliver a program to solve a key area many Australians struggle with and a big cause of stress, helping with financial wellness and literacy and empowering people to take action. In developing the program it was important to make the workshops engaging, relevant and interactive, so what better way to start than by delivering a 12-month workshop to staff.

Sally Williams

business finance manager,
Chappel Accounting

A little over two years ago, December 2016, I lost my older brother to suicide without warning. He was only 38. In the blink of an eye, our world changed. His wife, three young children and everyone who loved him had to find a way to live without him. It's one of those situations where you never think it will happen to you.

In today's society everyone is aware of mental health. Everyone's life is touched by it in some way. Not every experience is the same, nor are the effects of it. Dealing with the aftermath of suicide has raised in me a whole new level of awareness around it, together with the wellbeing of those around us.

We've always been a practice that promotes a healthy work/life balance. For us, family comes first. Unintentionally, we are an all women-based office, of all ages. The best feature of our practice is the flexibility made available to us. It enables us to balance our family commitments; to encourage our kids to do their after-school activities; those with elderly parents, it enables their needs and care to be met; plus advancing our careers with study; while some participate in sport and travel. Juggling family life, a full-time career and study has been the most challenging and rewarding experience. My journey has only just begun.

We pride ourselves on the relationships we build with our employees and clients. We're always striving to provide the best service. We love helping people. Knowing we can usually assist them on the spot at that first point of contact while offering support through good times and difficult times, it's what we do. Our client's health, wellbeing and needs are of utmost importance to us.

Lance Hall

senior accountant,
Mandurah Accountants

It all messes with your mental!

When you are in the business of dealing with your clients' business matters as part of your service to them, it is hard not to build a relationship with them on a personal level. So over time not only doing work for a client and taking on some of their day-to-day business burdens as they manage and run their different operations, you also may be exposed to their personal struggles as well.

All this can get into your head and you can at times feel that your taking on their struggles personally yourself.

When I allow this to happen, I have found I have had dreams and sleepless nights, which in turn leads to an increased level of anxiety and stress. It all messes with your mental.

To counter the effects of this I did a couple of things. Mentally, I have to remind myself that their problems are not mine to take on and I need to stand out of the situation with a clear head to assist them to the best of my ability. The other thing I did was to take up running on a regular basis. This physical activity provided not only great physical stimulus but did amazing things to my mental status. Having the endorphins running through the system really refreshes the system and clears out the stress.

I know that this may not be a solution for everyone, but I do know that it is important to not allow work to drive you mental. It's only work! There is a solution.

Technical

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

Technical | Black economy

Improving black economy enforcement and offences

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

We are supportive of the endeavours of the Black Economy Taskforce to tackle the issues arising from black economy activities. In this regard, we welcome the government's latest initiative to consider alternative forms of enforcement to act as a deterrent for those contemplating or undertaking such activities. The measures under consideration are outlined in the consultation paper titled *Improving black economy enforcement and offences*.

The consultation paper outlines a range of potential financial and non-financial enforcement measures. Among other things, these include:

- The granting of certain additional information and data gathering powers to the Commissioner of Taxation;
- Reversing the burden of proof for certain elements of black economy activity;
- Amendments to the taxation penalty regime to impose greater penalties on repeat offenders;
- Imposition of travel bans for those with outstanding tax debt;
- Potentially increasing civil penalties and lowering the "recklessness" test threshold for sham contracting arrangements under Fair Work legislation; and
- Record keeping requirements for those in receipt of gambling winnings and gifts.

An overarching theme in the consultation paper was the call to grant additional powers of enforcement to the commissioner. Specifically, these extended powers include the ability to obtain certain third-party information within a shorter time frame for criminal investigations, the imposition of freezing orders on bank accounts for longer periods, and the ability to access certain telecommunications data.

In the current environment, small businesses and individual taxpayers, whether rightly or wrongly, are sensitive to the wide-ranging powers of the ATO. These concerns follow reports of unfair influence being exerted. As such, there is a perception that the revenue authority has too much power, which could be open to misuse without appropriate safeguards and oversight.

While it is unequivocal that unscrupulous members of the community be deterred from undertaking black economy activities, the granting of any further powers to the ATO without sound justification would only create distrust and reinforce the current community perceptions.

Therefore, to build community confidence in the tax system, the government must ensure that there are safeguards, accountabilities and oversight in place for any new powers granted. Among other things, these safeguards may include:

- Imposing restrictions on when and how certain powers are to be applied;
- Regular reporting on the exercise of those powers and their outcomes to the government and the community for transparency and to ensure relevance; and
- Additional oversight from the offices of the Inspector-General of Taxation and the Australian National Audit Office.

It is hoped that such safeguards will go some way to allaying community concerns that the powers granted are not misused or abused.

Another concern proposed in the consultation paper is the reverse onus of proof for certain elements of black economy activity, where the onus is placed on a defendant to disprove certain elements of their offence (rather than the prosecutors as is ordinarily the case). Worryingly, such measures could adversely impact the rights of individuals and their liberties. We therefore strongly urge that the government give due consideration to any such proposal and that caution and restraint be exercised and take time in considering the possible ramifications.

The consultation paper outlines that in some very serious offences (relating to terrorism, drugs and child sex offences) the burden of proof is already reversed to require the defendant to disprove certain elements of their offence.

While the paper indicated that these measures would be reserved only for very serious black economy offences, it did not specify the nature of black economy offences that should be considered; instead seeking recommendations on appropriate offences.

Prima facie, we are not supportive of a reverse onus of proof for black economy activity. Our concerns rest with those who may be wrongly prosecuted for offences because they cannot disprove the relevant element under a reversal of proof. Further, we also do not necessarily believe that such a measure would act as a deterrent as those who seek to commit such serious activities would do so with a complete disregard of the law and their repercussions.

Given the adverse impacts that a reverse onus of proof has on an individual's rights and their liberties, we strongly urge the government to exercise caution and restraint if they were to introduce such a measure for certain elements of black economy activity.

The ATO already has the ability to issue an amended income tax assessment whereby the onus is on the taxpayer to prove that the assessment is excessive, which acts as a default reverse onus of proof in many ways.

The ATO can and has on many occasions issued amended assessments to taxpayers who it believes are understating their income. It is up to the taxpayer to prove that the assessment is excessive, so in effect the ATO already has powers to reverse the onus of proof. Amended assessments are quite common for businesses operating in the cash economy. We need to better understand the rationale for this proposed change and how it will be used for the most egregious taxpayer situations.

When it comes to sham contracting, we consider that there are adequate financial penalties under a suite of laws for those businesses that choose to engage in such contracting arrangements. When tallied, such financial penalties can be substantial for a business and in their own right act as a sufficient deterrent. The mere increasing of civil penalties under the *Fair Work Act* in respect of sham contractor arrangements may not achieve the desired effect.

We therefore consider that financial penalties alone are not sufficient and instead argue that there would be greater impact if the existing penalties are coupled with non-financial penalties. Additional penalties, such as minimum terms of imprisonment, travel bans, deregistration from operating a business or being a company director, may better tackle these sham arrangements and act as a more forceful deterrent.

For income tax purposes, the generally accepted view is winnings from gambling and gifts are not assessed to the taxpayer as they are taken to be windfall gains. As such, there is no requirement for those amounts to be disclosed in the individual's income tax return.

The consultation paper proposes that records be kept for substantial gambling winnings and/or gifts. We understand that the objective for seeking such information, among other things, is for asset betterment testing purposes. While we are open to further disclosure of gambling winning and gifts, we note that this should not be done at the expense of increasing compliance burden on the community. Providing the commissioner with powers to request such documentation to substantiate these winning and gifts may be the better approach than requiring all taxpayers who have had significant windfalls to report or keep records. Having a dollar threshold for record keeping as suggested may assist in alleviating the need for all individuals in receipt of winnings or gifts to retain such records.

Of course, there would still be difficulties where funds are obtained from private or illegal sources or in respect of family dealings. For example, gifts from family members for love and affection can be difficult to prove unless there was some form of deed of gift or can otherwise be appropriately justified; for example, a contribution from parents to purchase a first home by their adult children. In that regard, it may be appropriate to provide a list of acceptable types of documentation to prove any forms of windfall gain.

Lastly, travel bans. The imposition of travel bans for 'delinquent' taxpayers with debts of a certain quantum warrants consideration in an Australian context.

Our observations in relation to how such a ban could apply include:

- As is the case with the US, providing a non-discriminatory basis for revoking an individual's passport would ensure transparency and clarity. The issuing of any bans should not be at the discretion of the commissioner as is currently the case with departure prohibition orders (DPO);
- Consideration should be given to those taxpayers who are currently under a repayment plan and whether they should also be included in the ban, particularly if they are a flight risk;
- The interaction between how these travel bans would operate in conjunction with the commissioner's issuing of a DPO should also be made clear. It is also worth considering whether DPOs would still be necessary in light of this measure;
- Having situations where a travel ban is not imposed on compassionate grounds; for example, an individual travelling overseas to visit a sick or dying family member.

It is without doubt that black economy activity must be curtailed for the benefit of the community and it is entirely appropriate that our enforcement rules remain effective. Notwithstanding this, any additional powers that are granted to the commissioner need to be balanced with certain safeguards, accountabilities and oversight to ensure that those powers are appropriately used.

Technical | Transfer pricing

Simplified transfer pricing record keeping

The ATO has released an updated version of Practical Compliance Guideline PCG 2017/2, which significantly changes the eligibility criteria for access to the simplified transfer pricing record-keeping options

by Nick Drizen

Nick Drizen, associate director, transfer pricing, BDO

The simplified transfer pricing record-keeping regime was initially introduced in 2015 to help reduce the transfer pricing compliance burden for lower risk businesses and transactions from a transfer pricing perspective. The most comprehensive update of these rules took place in 2017, where the ATO issued Practical Compliance Guideline PCG 2017/2 (previous guidelines), which provided new concessions for small businesses, intra group services and non-material transactions.

The ATO issued an updated version of PCG 2017/2 on 9 January 2019 (new guidelines), which it has stated is intended to further simplify the rules and ensure consistency between methodologies.

Following a detailed review of the new guidelines compared with the previous guidelines, BDO noted there are a number of helpful concessions and simplifications that have been made by the ATO that will be welcomed by businesses. At the same time, the ATO has added additional criteria to different parts of the guidelines that could limit the ability of business to make use of the concessions. On 16 January 2019, the ATO also released an updated version of Practice Statement PS LA 2014/3 to reflect the changes made to the simplified transfer pricing record-keeping options in PCG 2017/2, in particular the removal of the management and administration services option.

The new guidelines apply to accounting periods beginning on or after 1 July 2018. However, in the short term, these new guidelines will not have any impact on groups that currently are making use of the previous concessions due to the inclusion of a transition period that allows the application of the previous guidelines for another year. This provides taxpayers with the opportunity to re-evaluate existing dealings under the scope of the updated guidelines prior to its application.

What are the key changes and their implications?

Removal of the specified country criterion from the new guidelines could be useful to businesses with low risk transactions with these countries. However, the way in which the new guidelines are drafted, higher risk transactions with specified countries are still unlikely to fall within the simplified rules e.g. royalty/leasing arrangements or the provision of high value services.

New combined $500,000 threshold criterion for royalties, licence fees or research and development arrangements

A new $500,000 combined limit for IP or R&D related party dealings is a welcome pragmatic concession from the ATO, ensuring that SMEs with low value IP transactions may still be able to access the simplified rules under the new guidelines.

Changes to the turnover threshold for the small taxpayer's option

Under the new guidelines, the turnover threshold for small businesses has doubled to $50 million, which is generous and opens the rules to larger SMEs. However, a further criterion requires that the small taxpayer does not have specified service related party dealings greater than 15 per cent of their turnover.

This criterion has become more difficult to fulfil as the definition of specified services has been broadened to any service that is not a low value adding intra-group service. This will require a subjective analysis of the potential specified services to justify whether a specific intra-group service is a service constituting the core business of the multinational group or contributing to the creation, enhancement or maintenance of value in the group.

In practice, the changes in relation to transactions with specified countries and IP transactions could make the concession easier to meet for some SMEs.

However, it is likely that a large number of SMEs will be caught by the tightened specified services exclusion.

Addition of the turnover threshold for the materiality option

The materiality criteria under the previous guidelines was met where the total international related-party dealings comprised 2.5 per cent or less of total turnover, and the taxpayer did not have related-party dealings with entities in the specified countries or related-party dealings involving royalties, licence fees, or research and development arrangements.

This concession maintains the 2.5 per cent or less of total turnover test, however, may now be easier to apply with the removal of the specified countries exclusion and the $500,000 combined allowable limit for IP related transactions.

On the other hand, there is now additional criteria to meet, including a total turnover limit of $100 million, so this exemption will no longer be available to larger groups that are mostly domestic focused. It is also not available to groups that are sustained loss makers or who have recently undergone a restructure.

Removal of the management and administration services option – now consolidated into the new low value adding intra-group services option

The previous guidelines provided two options for low value services; the management and administrative services option and the low value intra group services option.

The management and administrative services option was particularly generous as it covered up to 50 per cent of related party dealings provided the mark-up was 5 per cent and you did not have any transactions with specified countries.

The new consolidation exemption is more complex to apply and less generous than in the previous guidelines. Materiality conditions can now be satisfied by either a de minimis $2 million threshold (which is higher than the $1 million threshold under the old guidelines), or for intra-group charges above $2 million, inbound and outbound services must not exceed 15 per cent of related party dealings. Under both options, however, intragroup charges must not exceed 25 per cent of pre-intra-group service charges profit.

This combined concession is still useful and is likely to be widely used, but arguably it will offer less utility than the two separate options that previously existed. The new profitability exemption will increase the complexity of the application of the rules and could limit the benefit of the concession, which is likely to result in more businesses having to fully document their intra-group services.

Low-level inbound loans: Same interest rate methodology as low-level outbound loans

The concession for inbound loans was quite generous under the previous guidelines, applying to loans of $50 million or less with an interest rate linked to an RBA indicator for small businesses.

This rate moves over time, but the rate included in the example of the previous PCG was 7.1 per cent. This interest rate may be considered generous for an ATO position regarding inbound intra-group loans following the Chevron case and the ATO's new guidelines on funding.

It was also inconsistent with the much lower rate applied to outbound loan funding. The ATO has now harmonised both inbound and outbound rates to an interest rate of 3.76 per cent, which is significantly lower than the rate provided in the previous inbound loans option. This means that a number of inbound loan arrangements are not likely to meet this concession and will either need to be restructured to a lower rate or supported by more comprehensive transfer pricing documentation.

Technical | Capital gains tax

Changes to capital gains tax exemption for foreign residents

Controversial legislation enabling the removal of the capital gains tax (CGT) main residence exemption for foreign residents was originally scheduled for debate in the Senate on 16 October 2018

by Tracey Dunn

Tracey Dunn
senior manager – tax services, RSM

The widely criticised bill was withdrawn from discussion by the government and did not make its way back onto the Senate list before Parliament rose in December 2018. The removal of the bill from discussion further perpetuates uncertainty for Australian expats and foreign residents who own a main residence in Australia.

The proposed legislation, if passed in its current form, will remove any entitlement to the capital gains tax main residence exemption for foreign residents. With a proposed start date of 1 July 2019 and a limited sitting schedule before the federal election, there is doubt about whether the proposed legislation will be passed in its current form or before the proposed start date.

The intention of the proposed legislation was to remove the CGT main residence exemption for foreign residents, and while this may seem reasonable at first pass, the proposed legislation in its current form has much broader application, impacting not only on foreign residents (with no intention to make Australia their home) but also expat Australians and some Australian residents who obtain an interest in a main residence under a family court order.

The proposed legislation has retrospective application, so if passed in its current form, an expat Australian who, for example, had a family home in Australia for 30 years but is currently living and working overseas, would no longer be able to claim the CGT main residence exemption on the sale of the property (if they were a non-resident at the time of sale).

This would not only result in an extremely unfair and unanticipated tax impost, but it would also be in stark contrast to the CGT legislation that applied during the period of ownership of the home.

Impact on family court property transfers

While there has been a lot of discussion surrounding the contentious and somewhat 'draconian' impact of the proposed legislation on expat Australians, there has been little (if any) discussion on the unintended impact on Australian residents who obtain an interest in the former matrimonial home under a family court order exemption.

The application of the proposed changes to the CGT main residence exemption rollover for properties transferred under a family court order appears to have been considered in the drafting of the legislation but only to the extent examples in the existing legislation have been updated. The examples have been updated to consider the tax residency of the spouse selling the home, however there is consideration of the tax residency of the former partner and how this may impact on the application of the rollover.

Neither the explanatory memorandum nor the proposed legislation consider the impact of the tax residency of the former partner at the time of sale. This is problematic as the CGT main residence exemption marriage rollover requires the taxpayer selling the home to give consideration to the total number of days the property was the main residence of both the taxpayer and their former partner.

If the bill is passed in its current form, there is real risk that an Australian resident selling their home (which may be years after divorce and finalisation of the property settlement), will only be able to claim a partial CGT main residence marriage rollover if their former partner is a non-resident at the time of sale. The result is not only the denial of the full CGT main residence exemption to an Australian resident but could also mean significant tax liabilities on the sale of the family home, liabilities that were not able to be considered at the time the property settlement was finalised.

For a non-financial spouse who receives the former family home as the main component of a property settlement, this could have a significant impact on their future financial capacity.

The impact of this proposed legislation on both Australian residents and expat Australians is unfair and unreasonable and needs an immediate review.

To demonstrate with an example:

Sally and John were married in 1989, purchased their family home in 1990 and raised their three children in the home. The couple divorced in 2016 and Sally obtained the family home as part of the property settlement. John's interest in the property is transferred to her under a family court order. At the time of transfer, John provides Sally with a declaration stating the property was his main residence from the date of purchase to the date of transfer (John did not have another main residence post separation). In 2020, Sally sells the property as she is having financial difficulties and is looking to downsize. At the time of the sale, Sally hears from a mutual friend that John moved to Saudi Arabia in 2017 to work in the oil and gas industry and is no longer an Australian resident. What are the tax implications?

Under current legislation
The capital gains tax main residence marriage rollover would apply to the entire period of ownership. There would be no capital gains tax on the sale of the property as Sally and John both treated the property as their main residence during the period of joint ownership.

Under proposed legislation
John would not be eligible to claim the main residence exemption for his entire ownership period, so theoretically, despite the fact that Sally and John lived in the property together from 1990 to 2016, Sally may be required to pay capital gains tax on a proportion of the capital gain. The taxable portion of the capital gain would be determined by the number of days the property was not John's main residence.

This could prove very problematic, not only from a financial perspective but also a logistical one. In addition to being difficult, it would be unreasonable for a taxpayer who has acquired a property under a family court order to determine the tax residency of their former partner at the time they sell their former marital home.

Technical | Trustee and tax debt

Can a trustee be liable for a member's tax debt?

This article discusses the case of *Commissioner of State Revenue v Can Barz Pty Ltd & Anor* [2016] QCA 323. Broadly, this case deals with the ability of the commissioner to recover a member's tax debts from money that is payable to the trustee of the member's superannuation fund

by Shaun Backhaus and William Fettes

Shaun Backhaus, lawyer, DBA Lawyers

William Fettes, senior associate, DBA Lawyers

Facts

Can Barz Pty Ltd (Can Barz) held real estate as bare trustee for Ms Bird and Mr Scott as trustees (Trustees) for the Mewcastle Superannuation Fund (Fund). Ms Bird and Mr Scott were the only members of the Fund.

Can Barz had entered into a contract to sell the real estate it held on bare trust. In the normal course of events, the sale proceeds would have been paid at settlement to Can Barz (less the relevant amount required to discharge the mortgage on the property and other conveyancing expenses) who would then pay this to the Trustees as the beneficiaries of the bare trust.

Ms Bird and Mr Scott became liable to pay an amount under the *Payroll Tax Act 1971 (Qld)* due to the grouping provisions under that act whereby they became jointly liable with other entities for an unpaid payroll tax assessment.

In order to secure payment of this tax, the commissioner issued garnishee notices pursuant to the *Taxation Administration Act 2001 (Qld)* (TAA) to the following persons:

- the real estate agents and the purchaser of the property – these notices sought payment to the commissioner for monies that would otherwise have been paid to Can Barz; and
- Can Barz – this notice sought payment to the commissioner for monies which would otherwise have been paid to the Trustees.

The question in this case was whether Can Barz could be compelled to provide the proceeds of sale to the commissioner as part of the commissioner's collection activities against the tax liability of Ms Bird and Mr Scott under s 50 of the TAA. Relevantly, s 50 of the TAA provides:

Collection of amounts from a garnishee

(1) This section applies if –

(a) under a tax law, a debt is payable by a taxpayer; and

(b) the commissioner reasonably believes a person (the garnishee) –

(i) holds or may receive an amount for or on account of the taxpayer; or

(ii) is liable or may become liable to pay an amount to the taxpayer; or

(iii) has authority to pay an amount to the taxpayer.

(2) Subsection (1)(b) applies even though the taxpayer's entitlement to the amount may be subject to unfulfilled conditions.

(3) The commissioner may, by written notice given to the garnishee (the garnishee notice), require the garnishee to pay to the commissioner by a stated date a stated amount (the garnishee amount).

Importantly, it was not in dispute that Ms Bird and Mr Scott had no present beneficial interest in the assets of the Fund. More specifically:

- as trustees of the Fund, they were obliged to comply with superannuation law, including the *Superannuation Industry (Supervision) Act 1993 (Cth)* (SISA), and could only pay members of the fund in accordance with the relevant provisions of the Fund's deed and as allowed under the SISA; and
- as members of the Fund, the property of the Fund was vested in the trustee of the Fund and they did not have any legal or beneficial interest in the property of the Fund except as provided in the Fund's deed and under the SISA.

Can Barz arguments

Can Barz argued that s 50 of the TAA does not authorise the commissioner to issue a garnishee notice in respect of monies which the garnishee is liable to pay to a taxpayer, where the commissioner knows that the taxpayer's right to receive the payment is not beneficially held by the taxpayer. This argument is based on the idea that the capacity in which the taxpayer would actually receive the money, (that is, as trustees of the fund) meant they would not receive the money beneficially but rather on trust. Can Barz argued that the purpose of s 50 of the TAA is not to have money paid to the commissioner that does not beneficially belong to the taxpayer.

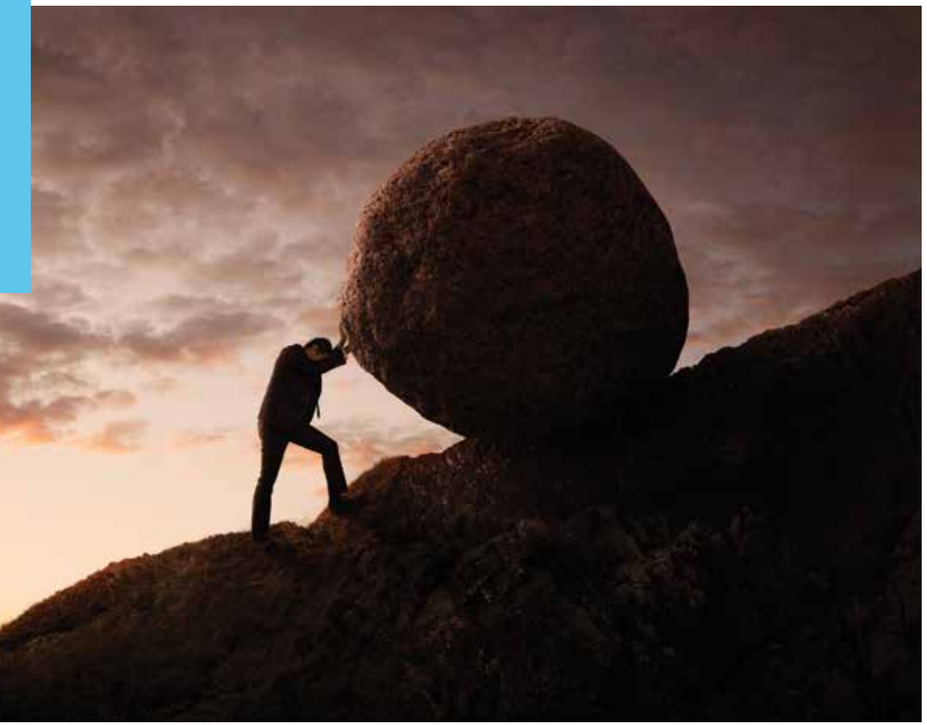
Can Barz raised a constitutional law argument that if the garnishee notices were effective, this would give rise to an operational inconsistency between s 50 of the TAA and the SISA. This is because the power to require payment of the Fund's monies in satisfaction of Ms Bird and Mr Scott's tax liability would be inconsistent with the requirements of the SISA regarding the manner in which the trustees were able to deal with the property of the fund. Accordingly, any state law such as s 50 of the TAA would be invalid or inoperative to the extent of any inconsistency.

Can Barz was successful at trial in the first instance. As Can Barz's first argument was accepted, the constitutional law argument was not considered at trial.

Commissioner's arguments

On appeal to the Queensland Court of Appeal, the commissioner presented the following arguments:

- that the language of s 50 of the TAA rendered it unnecessary, indeed impermissible, to inquire into the nature of the taxpayer's entitlement to the garnishee amount. That is, it must only be established that liability exists between the garnishee (Can Barz) and the taxpayer (Ms Bird and Mr Scott) – the capacity in which the they were entitled to that money was of no relevance; and
- alternatively, the relevant inquiry is properly confined to whether there had been a prior disposition of property and only such "prior dispositions, including those recognised in equity as effective, which may not be garnisheed". The commissioner argued based on certain relevant provisions analogous to s 50 that garnishee provisions are limited in relation to equitable interests where there has been a disposition of an interest in the monies including by way of an equitable assignment or charge, but there was no general exclusion in relation to monies subject to a trust relationship.



Court's findings

The Court of Appeal upheld the trial judge's findings that the garnishee notices were invalid. The court rejected the commissioner's argument that the capacity in which the taxpayer was entitled to payment was irrelevant.

The court found at par 27 that: As the primary judge correctly found, "the commissioner must be taken to have reasonably known that at the time of the notices the taxpayer to whom the debt was owed did not have a full legal and beneficial interest in the debt".

In interpreting the meaning of s 50 of the TAA, the court stated at par 26 that:

The phrase "is liable to pay" should, consistent with established equitable principles, be construed, as the primary judge found, as "encompassing only circumstances in which the right to payment from the garnishee was legally and beneficially held by the taxpayer and the taxpayer was free to use the right in the taxpayer's own interest".

Upon his interpretation of the relevant legislation, Justice Philip McMurdo found that:

The purpose of the statute is not to permit the recovery of tax by recourse to money which belongs to someone other than the taxpayer or which, for some other reason, could not be lawfully applied by the taxpayer in the payment of his or her own tax debt.

The court found that s 50 of the TAA only encompasses circumstances where the right to payment from the garnishee was legally and beneficially held by the taxpayer and the taxpayer was free to use the right in the taxpayer's own interest. Therefore, Can Barz could not be compelled to pay money to the commissioner which it was otherwise obligated to pay to the taxpayers (Ms Bird and Mr Scott) in their capacity as Trustees of the Fund. If the money were held by Ms Bird and Mr Scott, they could not choose to pay such monies to the commissioner as this would be contrary to the terms of the fund and in contravention of the SISA.

Conclusion

The judgement in this case is helpful in that it supports the proposition that the trustee of a superannuation fund holds the property of the fund on trust for the members in accordance with the terms of the trust and the SISA. A member of a superannuation fund in many situations is not entitled to be paid or transferred the property of the fund until they at least attain their preservation age and retire or satisfy another condition of release.

Thus, this case provides a clear statement from the court regarding the different capacities in which a person may have an interest in a superannuation fund and the requirements and limitations in dealing with the property of the fund in those capacities.

While the court did not deal with the constitutional argument put forward by Can Barz, it made helpful comments regarding the limitations of a trustee to pay monies in a way that was inconsistent with the SISA.

Another risk that often arises in relation to SMSF trustees is that creditors of the trustee may seek to access SMSF assets which are held on trust for the members of the fund in accordance with the SMSF deed. This is one reason why we strongly recommend that a sole purpose corporate trustee be used so that, for instance, a trading company or professional practice company that also acts as trustee does not expose the fund's assets to the practical risk and potentially very costly process of having to defend the fund's assets from creditors claims against a trustee holding assets on trust.

This article is for general information only and should not be relied upon without first seeking advice from an appropriately qualified professional.

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 AAT

New South Wales

Chiu Tsang

Admitted as AIPA

New South Wales

Rober Basselly
Timothy Blatch
Gregory Costello
Leandro Cuento
Ahmad Darwiche
Rebecca Duffy
Gi Hong
Hea in Kim
Melva Macaulay
Mariam Malek
Faye Matthews
Michael Maua
Jason Nash
Ksenia Nasonova
Jitka Nejedla
Mai Nguyen
Carolyn Pekonen
Krishna Raut
Elina Ray Chaudhuri
Mohammed Shaheed
Julie Sherwin
Sabina Shrestha
Veronica Sim
Matthew Stephen
Sue-Ann Tepli
Ian Traynor
Amy Woodley

Victoria

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Stuart Armstrong
Caryn Cerantonio
Julie Dinsdale
Deidre Gorman
Amandeep Singh Gulati
Xiaoyu Guo
Kim-Maree Jackson
Pranav Kaushal
Harsha Madnani
Emiliya Markova
Aries Marquina
Kaiqi Meng
Akshay Myadam
Arun Parmar
Nakul Patwari
Pollyanna Pert
Punsisi Ramanayaka
Filippo Salamone
Angela Sayer
Mohammed Taher
Ruchita Umesh Chandra

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Dikesh Bulsara
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Liang Dong
Tenneale Forster
Pamela Hawkins
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Drazen Knezevic
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Monique Reardon
Jack Richter
Kristy Riggall
Carol Salvadori
Gursharan Sehmi
Rodney Tucker
Chih-Ming Wang
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Satish D'Souza
Renae Hutcheson
Bozica Stanojlovic
Anthea Wainman

Tasmania

Ali Almohamad
Ryan Batchelor
Daniel Breen
Samuel Breen

Australian Capital Territory

Nicholas Hassan
Ihab Saad

Overseas

Abdullah Altuwaym
Brendalyn Zamora

China

Chai Ying

Admitted as FIPA

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Ali Noroozi

Queensland

Samantha Dean

Overseas
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Udayakumar Rajamani
Srinivasan Raman
Alifia Ranapurwala

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Chen Huaxin
Cui Jin
Cui Peng
Feng Tian
Ge Haiyan
Geng Bin Bin
Gong Jiabing
Guo Hui
Jin Linlin
Li Cong
Li Tao
Li Yi
Liu Aijun
Liu Yuanfang
Liu Zhiyan
Lu Jing
Luo Qiangwu
Ouyang Jianhua
Peng Tao
Wang Yan
Wang Yuan
Wu Xiuyu
Wu Zhendong
Xing Liangwen
Xu Luyuan
Xu Zequan
Yang Chenhua
Yu Qing
Yu Sheng
Zhang Meizhong
Zheng Xiaojing
Zheng Xiuqing
Zhong Zhenhua
Zhou Ying
Zhu Danian
Zhu Ying

Admitted as MIPA

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Clive McManus
Henry Ngui
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Muhammad Aamer
Muhammad Zubair Abbas
Harshal Agarwal
Neha Aggarwal
Syed Shahzad Ahsan
Mahesh Alapati
Moayad Aljameel
Maha AlQahtani
Muhammad Arsalan
Rizza Binbinen
Ebesta Chijarira
Ashwani Dwivedi
Egbuna Egbuna
Carl Anthony Fabic
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Ibrar Hussain
Muhammad Tamoor Ihtasham
Ghazanfar Imran
Farhan Jamil
Danapala Mudiyansela Jayarathne
Abdul Rehman Khan
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Sheheeb Muhammed Sheheeb
Ajlal Tariq
Shreekumar Uthayakumar
Haroon Yari
Muhammad Usman Younis

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Yanqun
Ba Haiying

Bai Dalong
Bai Yun
Cai Xiangnan
Cao Dan
Cao Lifeng
Chen Cong
Chen Gang
Chen Ge
Chen J
Chen Rong
Chen Shaohua
Chen Tao
Chen Xuejiao
Chen Yang Zhu
Chen Yuejie
Cheng Lierong
Chi Jingjing
Chi Xiaoling
Ching Wun Kuen
Cui Qin
Dai Qiankun
Dong Jinbao
Dong Yan
Duan Meihua
Fan Minyi
Fan Wei
Fan Yifeng
Fan Yueli
Fang Lei
Fang Long
Fang Sheng
Fang Zuoming
Feng Ningjing
Feng Xin
Fu Fang
Fu Kehang
Fu Qian
Fu Shibin
Gan Li Kai
Gao Gui
Gong Wujun
Guo Haitan
Guo Lili
Guo Qing
Guo Xin
Guo Xiuhui
Guo Yunyan
He Liang
He Quan
He Xiaoyan
He Yuanyuan
Ho Sai Hau
Hong Yunyan
Hou Xiaoran
Hu Beifang
Hu Hongyan
Hu Ji Bin
Hu Xianlan
Hu Yingfen
Huang Jianghong
Huang Qiaoxi
Huang Shaomei
Huang Zhihong
Hui Wai Chung
Ji Chu
Ji Kun
Jia Haiyun
Jiang Lu
Jiang Meizi
Jiang Sufang
Jiang Yanling
Jiang Zexi
Jin Chuang
Kong De Jun
Lan Guanping
Lan Hai
Lau Kit Yan
Lau Ming Fai
Li Changjiang
Li Gang
Li Hang
Li Hua
Li Jing
Li Li
Li Na
Li Peng
Li Ruijuan
Li Sijian
Li Wei
Li Wei
Li Xiang
Li Xiang
Li Xiao Jing
Li Xiaoyuan
Li Youdong
Li Zhijie
Liao Xuefei
Lin Yanhong
Liu Chang
Liu Da Lei
Liu Guangping
Liu Hongmei
Liu Jianjie
Liu Li Jia
Liu Lingyi
Liu Peng
Liu Pengxin
Liu Ruofei
Liu Xianzhen
Liu Xiaoxue
Liu Yaling
Liu Yujun
Liu Yurong
Low Meichun
Lu Danli
Lu Yao
Luan Liangjun
Luo Dejun
Luo Fei
Lv Shibo
Ma Guimei
Ma Sufeng
Ma Ying
Mo Jianming
Ning Huafen
Niu Shuo
Pan Chuanxia
Pan Yaxuan
Peng Jingzhi
Qi Meng
Qu Ning
Qu Zhiheng
Quan Wei
Ren Chaobing
Ren Ruibin
Ren Suqing
Sang Liqin
Shan Ling
Shao Hongju
Shao Mengping
Shao Yongwei
Shen Yanhong
Shi Guoyun
Shi Junzheng
Shi Ke
Shi Rui
Shi Yu
Shi Yubin
Song Jin
Song Xu
Song Ziliu
Su Haiquan
Sun Jian
Sun Jing
Sun Qiong
Sun Shaoyu
Sun Sucheng
Sun Xiaoguang
Sun Xiaoying
Sun Yanhong
Sun Yu Mei
Tan Chin Loke, Eugene
Tang Fei
Tao Qin Yan

INSTITUTE OF PUBLIC ACCOUNTANTS

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

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

New South Wales
Level 12, 6 O'Connell Street Sydney, NSW 2000
GPO Box 4231, Sydney, NSW 2001
General manager: Patricia Michel
Phone: (02) 8262 6000
Fax: (+61) 2 9251 5201
Email: nswdivn@publicaccountants.org.au

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

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

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

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

Western Australia
Level 4, 1008 Hay Street, Perth, WA 6000
PO Box 7309, Cloisters Square, WA 6850
General manager: Kerrin Simmonds
Phone: (08) 9474 1755
Fax: (08) 9474 2911
Email: wadivn@publicaccountants.org.au

publicaccountants.org.au
Freecall 1800 625 625

Register of members

Tian Lei
Tian Qian
Tian Yanming
Wang Di
Wang En Min
Wang Fei
Wang Haigang
Wang Hongyun
Wang Junyan
Wang Kai
Wang Meiping
Wang Mingmin
Wang Qi
Wang Qian
Wang Weiguo
Wang Xiaoke
Wang Xiaoli
Wang Yong
Wang Zhongyuan
Wei Liming
Wei Ruiying
Wei Shangbing
Wei Zhaojun
Wen Liyun
Wu Jun
Wu Nan
Wu Shaohua
Wu Shengdan
Wu Yangrui
Wu Yangyang
Xia Anna
Xiao Qiao
Xie Runrun
Xing Zhibao
Xu Guojiang
Xu Jiafeng
Xu Li
Xu Meijing
Xu Weiguo
Xu Xiaoying
Xu Zhufang
Xue Fuzhu
Xue Qin
Xue Rong
Yang Bo
Yang Fan
Yang Jiang
Yang Jing
Yang Junfeng
Yang Lili
Yang Shaohui
Yang Shichen
Yang Xiaowei
Yang Xiaoyun
Yang Xuan
Yao Hongyuan
Yao Min
Yao Shuai
YAO Yuan
Ye Shubo
Yeung Chik Hang
Yi Jingna
Yi Shunzhen
Yin Huiyi
Yin Yuejia
You Xing
Yu Haixia
Yu Maolin
Yu Xiao Fang
Yu Xiaoli
Yu Zhongli
Yuan Changzhen
Yuan Guoxiang
Yue Sheng
Zhang Baogang
Zhang Haolong
Zhang Hong
Zhang Hongchang
Zhang Hui
Zhang Ji
Zhang Jingpei
Zhang Jun
Zhang Lei
Zhang Mengying
Zhang Min
Zhang Mingxia
Zhang Qi
Zhang Rui Yan
Zhang Tao
Zhang Tianming
Zhang Wei
Zhang Wenjuan
Zhang Xin
Zhang Xiuqing
Zhang Yu
Zhang Yuwen
Zhang Zeyi
Zhang Zuguo
Zhao Cheng
Zhao Jing
Zhao Shuai
Zhao Yang
Zhao Yuehong
Zheng Qiong
Zheng Yan
Zheng Yongmei
Zhi Xinhe
Zhong Bin
Zhong Guoqin
Zhong Qijun
Zhou Junmeng
Zhou Limin
Zhou Yadong
Zhu Yanan

Advanced to FIPA

New South Wales

Gregory Portelli

Victoria

Devi Bonthula
Robert Cherry
Shanthi De Silva
Brent Delahey
Cameron Gray
Khushroo Patel
Ming Chuan Wang

Queensland

Karen Matthews

Western Australia

Myles Gordon
Keith Marshall
Adam Stewart

Tasmania

Patrick Murphy

Hong Kong

Chi Wai Mok

Overseas

Ayyaz Ahmad
Sheikh Mohammad Taimur

Advanced to MIPA

Victoria

Kim-Anh Dinh
Mark Frauenfelder
Khem Khanal
Edvina Kumbaric
Lily Leong
Chintha Ranwala
Sarah Rosaia
Snow Xue

Queensland

Sharon Jack

South Australia

Amanda Taylor

Western Australia

Luna Compuesto
Gbogbah Tarr

Tasmania

Julie Corbett

China

Zhao Yongxue

Deceased

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

MIPA
John Schubert
Queensland