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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

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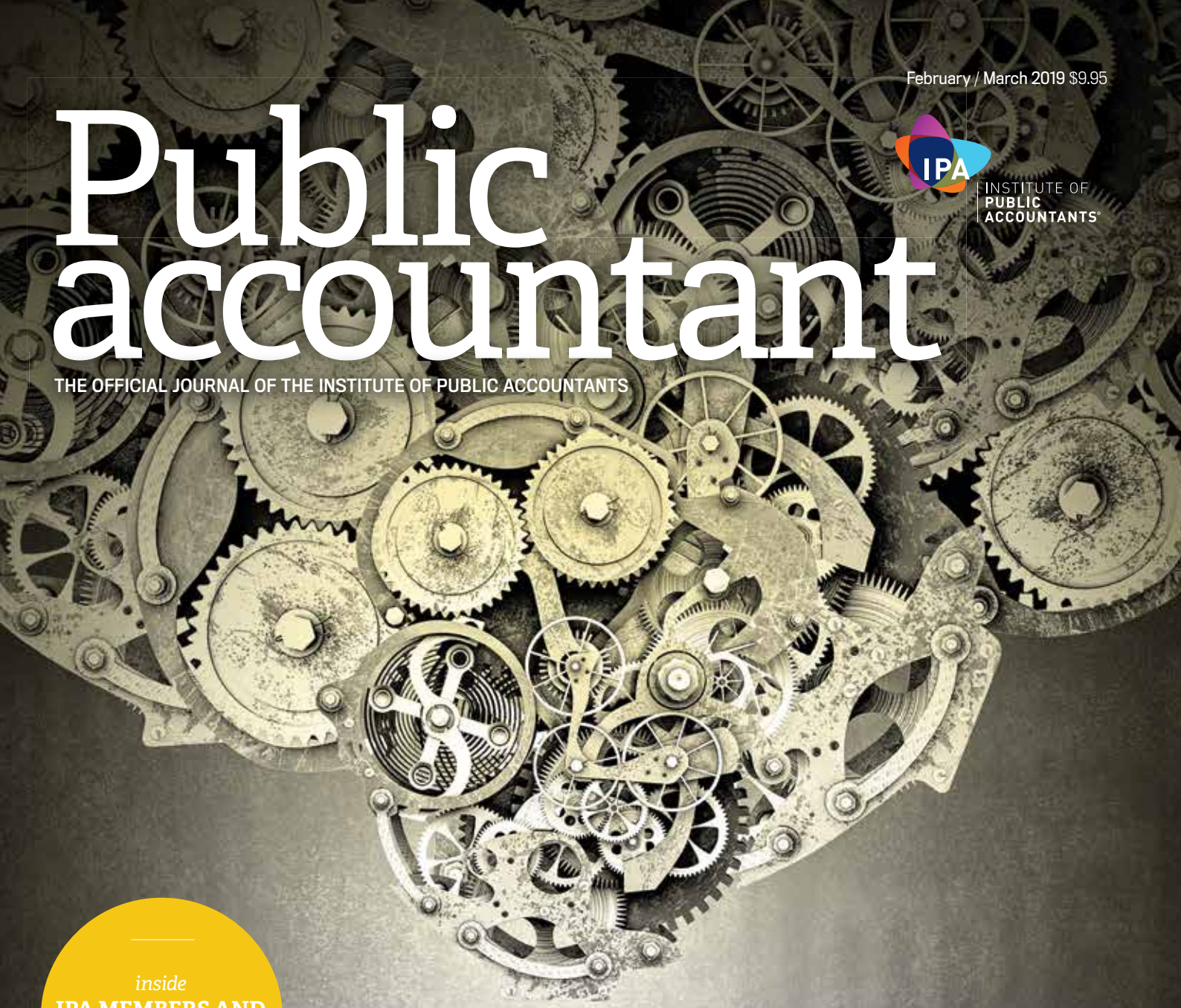

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IPA MEMBERS AND PRACTICES OF THE YEAR REVEALED

Time TO TALK

Mental illness is impacting the small business community. But accountants ready to acknowledge a social responsibility can play a vital role in loosening its grip

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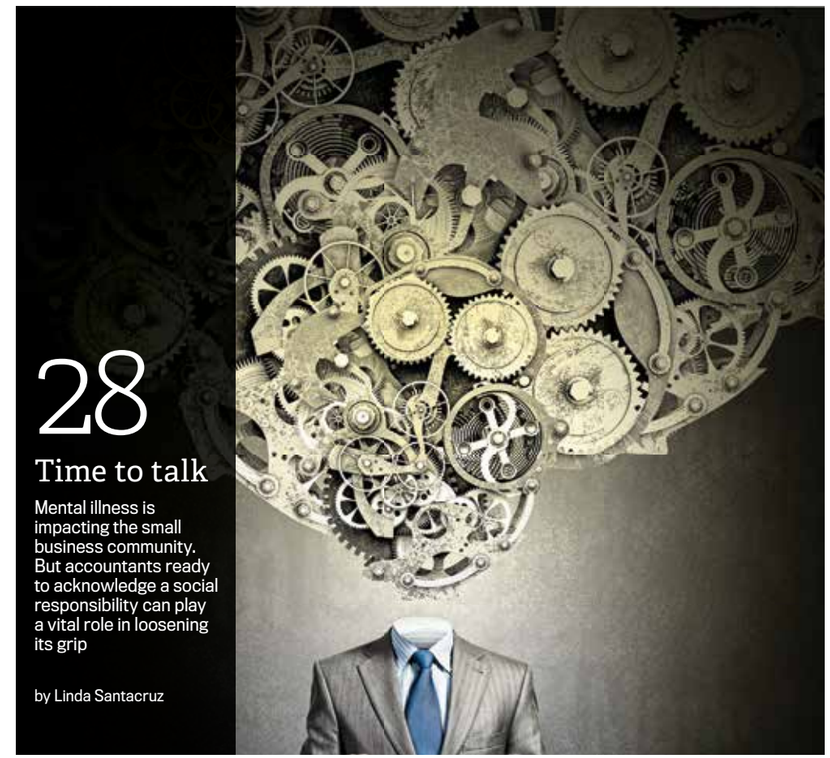

One in seven Australians will experience depression in their lifetime. It has the third highest burden of all diseases in Australia (13 per cent) and ranks third globally. The small business community is not immune to workplace stress and anxiety. We explore the role accountants can play in loosening the grip of depression on their clients.

For years, small-to-medium-sized companies have struggled with accessing finance. In the past, SME owners could knock on one of the doors of the big four banks, but after the global financial crisis the rules around lending began to change. This edition we take a closer look at the lending landscape and assess the need for a major overhaul.

Lastly, we take a look at the impacts of the royal commission on the financial industry. We shine a light on the hard lessons for accountants, including the effectiveness of the FOFA reforms and the removal of the accountants' exemption. Is it time for the government to take another look at the reforms and recognise the accountants' position?

Features

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– Ru Lim

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Second IPA director appointed to APESB

As this is my first report for the year, I wish to extend my best wishes to all of our members with the hope you have a healthy and prosperous 2019. The year ahead looks like a big one and may prove to be a rollercoaster with a federal election looming.

I am very pleased to announce that following a review of the constitution of the Accounting Professional and Ethical Standards Board (APESB), the IPA will have a second nominated director. This will give the IPA equal representation to that of the other professional accounting organisations (PAO). I am also very pleased to announce that Rachel Grimes has been appointed as a director of APESB and will join our other IPA APESB director, Kevin Osborne.

Rachel is a former president and executive of the International Federation of Accountants (IFAC), making her a perfect candidate for the role. This appointment is very important in that it extends our voice on behalf of members with a key standard setter. We are very fortunate to have the calibre of both Rachel and Kevin representing us.

Rachel's vast experience includes the IFAC presidency after serving as deputy president between 2014 and 2016, and she previously chaired IFAC's Planning and Finance Committee. She has been an IFAC board member since 2011. Her other key roles include CFO of technology at Westpac, where she had previously served as director of mergers and acquisitions. She brings more than 25 years of experience across the financial services sector, at Westpac/BT Financial Group as well as at PwC.

On the subject of standards, there is still a level of uncertainty as to the education standards being established by the Financial Adviser Standards and Ethics Authority (FASEA). We are of the opinion that experience, along with existing education qualifications, need to be given due weight when considering education pathways.

In terms of ethics, IPA members are required to adhere to the ethical standards set by APESB; and in terms of maintaining currency of knowledge, members are required to undertake a minimum of 80 CPD hours every two-year period. The IPA also undertakes quality assurance reviews to ensure members are compliant with their professional and ethical requirements. This is an important process as it helps members to maintain the confidence and trust of their clients, employers and the public.

In addition, the IPA's professional program is a Master of Business Administration (MBA) facilitated by Deakin University. The MBA is the highest education qualification offered by any of the PAOs in Australia.

All in all, I believe we have the right checks and balances in place to ensure a high level of professionalism and ethics. In 2019, we will be seeking to strengthen our position as a PAO in a co-regulatory environment.

Damien Moore FIPA FFA

Fighting the good fight

On behalf of the IPA Board and the entire IPA team, welcome to 2019 and happy new year. This year has begun with a flurry of activity, including our annual pre-budget submission as we continue to advocate on your behalf and for all Australian small businesses.

It will also be a big year in the political arena with the federal election, which may see a change of government. Again, we remain apolitical and regardless of who is in power, we will continue our relentless and ongoing advocacy work.

While politically it is an uphill battle, we will continue to fight the good fight and push ahead with our proposal for a new qualified accountants financial services licensing regime, to enable the provision of affordable and competent financial advice to consumers. Last year was a year of significant growth for the IPA and we will be striving to build on that growth and financial outcomes so we can reinvest in the business to develop and provide enhanced services and benefits to all of our members.

One area of development is our digitisation program. We are currently scoping out a new digital platform to help members transition their services to the cloud. For those members who have not yet transitioned, moving to the cloud comes with many benefits.

One key benefit is that it allows you to set up what is essentially a virtual office that gives you the flexibility of connecting to your business anywhere, any time. In most cases, cloud computing will reduce the cost of managing and maintaining your IT systems. You can also scale up or scale down your business, allowing flexibility as your needs change, and using the cloud frees up your time so you can get on with running your business and hopefully have more leisure time.

Some people get concerned about protecting data but in fact, cloud computing ensures your data is backed up and protected in a secure and safe location. Whether you experience a natural disaster, power failure or some other crisis, the cloud allows you to access your data again quickly, minimising downtime and loss of productivity.

This is an exciting development and I will keep you informed on its progress over the coming months as we evolve our thinking of the IPA Group as a global professional body acting on an electronic platform for members and their clients.

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 financial literacy, the accountants' exemption, and franking credits.

Regulatory overload

"We need our small business sector to be productive, to grow and to prosper; so the more we unshackle them from the regulatory burden, the better our economy will be."

– Andrew Conway, *Business Acumen Magazine*

Accountants' exemption

"Up until July 2016, accountants were able to advise on what was ostensibly a trust, a business structure, that being an SMSF. Beyond that, what our members have said is that their clients are opting out of advice, because the waters are muddier than they have ever been in terms of what can be on offer."

– Andrew Conway, Accountants Daily

Tax incentives

According to Professor [Andrew] Conway, bringing forward deductions – either during the initial business start-up phase or as a supportive measure during temporary downturns – is unlikely to provide much-needed cash flow benefits.

– My Business

Small business tax

"If a small business is at the start-up stage or experiencing a temporary downturn, the bringing forward of deductions may not provide essential cash flow benefits other than more carried-forward losses."

– Andrew Conway, *Business Acumen Magazine*

Better finance options

"We hold the view that banks and similar institutions have wider obligations towards ensuring the financial health of the business community."

– Andrew Conway, Public Accountant Hub

Financial literacy

"Incentives for further financial literacy and SME business management education, such as tax deductibility for educations costs, should be offered to SME owners via the tax system."

– *Andrew Conway*, Public Accountant Hub

Dispute resolution process

"We'd like a flexible approach to penalties that take into account the level of expertise a small business owner has versus someone that's a larger entity."

– Tony Greco, *SmartCompany*

ATO portal

"Certainly the portal outages of the past – these are things that play on people's perceptions going forwards but the portal has been solid of late and they've learnt some valuable lessons in trying to maintain the stability."

– Tony Greco, Accountants Daily

Trust at core of profession

Mr [Andrew] Conway noted that, taking into consideration such factors as the findings from the Hayne royal commission interim report and a growing distrust in financial institutions and financial advice, the accounting profession as a whole must step up.

– Public Accountant Hub

Positive impact

"As a profession, we don't do enough to sell the fundamental value we deliver to the economy. We must collectively also recognise the social value contribution of accountants."

– Andrew Conway, Public Accountant Hub

Removing refundable franking credits

"We do not support any changes in the removal of refundable franking credits unless it is associated with more holistic tax changes to the treatment of savings more broadly. A survey of our members also shows that 95 per cent of respondents do not support any change."

– Andrew Conway, *Business Acumen Magazine*

National Congress

In his welcome address at the IPA 2018 National Congress in Sydney last week, institute chief executive Andrew Conway said the Financial Adviser Standards and Ethics Authority (FASEA) must respect members' business models and be cognisant of their obligations.

– *Selfmanagedsuper Magazine*

From IGT to Tax Ombudsman

After a decade as the second Inspector-General of Taxation, Ali Noroozi has forged a significant legacy in the office, leaving his successor with big shoes to fill

As Ali Noroozi made his final public address as Inspector-General of Taxation (IGT) at the IPA National Congress in Sydney last November, he spoke candidly about how the role needed to evolve in order to stay relevant.

One suggestion he made was that the office of the IGT be renamed one of 'Taxation Ombudsman'. Ever since expanding its role into tax complaints handling in May 2015, the 30-strong office of the IGT has handled about 7,000 complaints, a majority of which come from unrepresented taxpayers.

It's a suggestion that the federal government has since taken on board, with the interim IGT Andrew McLoughlin being given the title 'Inspector-General of Taxation and Taxation Ombudsman'. Whether the 'IGT' part of that title will be removed remains to be seen.

Another reason for the title-change, according to Mr Noroozi, is so the office can become more recognisable, especially among individuals and small businesses, generally regarded as the most vulnerable taxpayers and in need of the IGT's services.

Mr Noroozi also noted issues relating to independence. On that front, he suggests that the IGT should report to Parliament, much like the Auditor-General and the Commonwealth Ombudsman, and not be caught in the same mix with the ATO and Treasury reporting to the same minister. In an interview with *The Australian Financial Review*, Mr Noroozi said "it is inappropriate for the scrutineer to be in the same portfolio as the subject of its scrutiny".

The ATO watchdog

Over Mr Noroozi's 10 years as IGT, he has butted heads with the Australian Taxation Office (ATO) on more than one occasion. The conflict stems from two issues, according to Mr Noroozi – whether the office of the ATO is scrutinised enough, and whether its commissioner has too much power.

Not surprisingly, commissioner Chris Jordan noted publicly that the ATO already faces scrutiny from the Australian National Audit Office and parliamentary inquiries, as well as the IGT. He even unsuccessfully attempted to get rid of the IGT in 2015.

However, an investigation by the ABC's *Four Corners* program in April last year examined the extent to which the ATO uses heavy-handed tactics to target small businesses. On that program, Mr Noroozi said that, by his estimation, roughly 5 per cent of cases – one in 20 – the Tax Office gets wrong.

"I think it's perhaps in 5 per cent of the cases or so, an organisation that size may not get it right. Even one case is too many, and that's why it is important to have the right checks and balances in place," Mr Noroozi said on the program.

Even in his final public address at the IPA Congress, he criticised the Tax Office for its persistent IT issues despite indicating an effort towards digitisation.

Ali Noroozi's farewell note to stakeholders

November this year marks the end of my second term as Inspector-General of Taxation. It is a role that has enabled me to drive significant change to our tax system, improve its administration, champion taxpayer rights and assist taxpayers, including the most vulnerable in our community.

I have given the role my all for the past 10 years and feel privileged to have had such an opportunity. However, all good things must come to an end. After much deliberation, I have decided that it is time to pass the baton to another who will see the agency into the future.

"If the ATO wishes to push digitisation, which it should do, it should also be providing stable IT platforms," he said.

"It is good that we have not had the systemic ATO portal outages since 2016-17, but they must be held accountable while they are dictating digitisation. The Tax Office debt collection is conducted across a number of offices and there needs to be greater consistency across the nation."

Further, Mr Noroozi is calling for the establishment of a new 'board of directors' to oversee the ATO amid concerns the commissioner has too much power.

"The ATO should have a board with a chair and directors with varying experiences, including IT, communications and governance," he said.

"Currently, there is too much power left with one individual and that power should be divested with an independent board."

The government needs to find a new replacement for Mr Noroozi by February. Until then, the acting IGT is Andrew McLoughlin, who was appointed into the role on 6 November 2018, and had been the deputy IGT since 2009.

The office of the IGT has conducted 32 reviews over the last 10 years, spanning topics including:

- The ATO's IT failures,
- Debt collection practices,
- Tax disputes
- Audits
- Penalties
- Taxpayer rights

Looking ahead

While the government confirmed it was reconsidering the renaming of the IGT as the Taxation Ombudsman, there have been no real signs it is prepared to move the office outside of the Treasury portfolio as suggested by Mr Noroozi.

"The IGT prepares an annual report which is given to the Treasury minister for presentation to Parliament. The IGT is accountable to the Treasury minister and appears before parliamentary committees including Senate estimates," said a spokesperson for Assistant Treasurer Stuart Robert.

But with a federal election looming and (if the pundits are to be believed) a change in government likely, who knows what will lay ahead for Mr Noroozi's permanent successor.

Lessons from the banking royal commission

The interim report from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has some hard lessons for those in the financial services industry, including accountants and financial advisers

by Jenny Johanson

Jenny Johanson,
executive consultant,
RSM Australia

Leadership failures, deeply-ingrained cultural issues, governance and accountability breakdowns, lack of risk management, and complacency around ethics characterise many of the banking royal commission's findings. A clear consequence is that consumers have had their faith in the industry badly shaken.

It's therefore important for accountants and financial planners to be aware of the key lessons learned and proactively work to restore that trust from their own corner of the industry.

Most of the changes will affect boards and committees. However, accountants will have roles to play in improving risk identification, remediation, reporting and compliance. Management must appropriately govern risk and focus on the quality, independence and reliability of internal processes to manage risk.

Accountants will be expected to provide comprehensive reporting that clearly highlights matters warranting specific attention. They will be required to speak up about troubling practices that either walk a fine line between ethical and unethical practices, or that clearly cross the boundary.

The banking royal commission has, potentially, created a new environment in which it will no longer be acceptable to engage in deceptive or unethical practices, or to tolerate those that do. Consumers and businesses are more likely to diligently and thoroughly investigate the behaviour of accountants and financial advisers before agreeing to work with them now that a light has been shined on such practices.

The focus will be firmly planted on measuring and rewarding the right behaviour and acting in the clients' interest – on the quality of advice and feedback from clients (including but not limited to net promoter scores – a measure of customer satisfaction), rather than the amount being billed.

Financial services providers will need to work through the four key stages of governance maturity to reach the high level of maturity that's required of the industry in the wake of the banking royal commission. These stages are: compliance, efficiency, integrated strategy, and purpose and passion.

Once finance professionals reach this level of commitment to ethical dealing, they can build stronger business relationships and deliver high levels of transparency and accountability.

As leaders, these professionals will be known for sharing knowledge with stakeholders and supporting sustainable projects and process development. No longer simply reacting to compliance requirements and emergencies, these professionals are ready to innovate and take their services to the next level.

Taking such a leadership position will require accountants to develop an appetite for consequence management and strong performance management across the entire organisation, including boards and committees.

It is likely that the financial services industry will see a mass exodus of financial planners and advisers over the next few years as the fallout from the banking royal commission becomes clear. No longer will it be possible to conduct business in an opaque way, receiving bonuses and kickbacks for recommending products and services.

Instead, the requirements of these financial professionals will be higher than ever, including certifications and ethical commitments. Industry codes of conduct and self-regulating systems will make it difficult for marginally-qualified financial professionals to remain in the industry.

This is a good outcome for financial professionals who are committed to behaving ethically and honestly, and to delivering excellent outcomes to their clients. It could potentially create increased demand for services in a market where fewer professionals can provide those services.

There may be increased educational or certification requirements before finance professionals can enter the industry. While this may seem onerous in the short term, it's likely to be a positive factor in the long term as the quality and capability of financial professionals continue to improve.

As financial professionals become capable of providing higher-quality services, clients will become more reliant on their advice. This creates an opportunity for accountants and financial advisers to take a more strategic and leading role in helping their corporate and small business clients grow their operations successfully.

This, in turn, sets the scene for a higher level of job satisfaction and engagement for accountants and financial planners, who can get out from behind the numbers and be more creative and innovative on behalf of their clients.

Regardless of the eventual outcome, it's clear that the banking royal commission has significantly shaken up the industry and its effects are likely to be felt for years or even decades to come.

The four stages of governance maturity

Compliance
Reacting to compliance requirements means financial professionals may not technically fall foul of any regulations but they take a minimalist and ad hoc approach to compliance. They'll look to minimise risk and improve reporting and audit capabilities.

Efficiency
A marked increase in emphasis on reporting and risk avoidance characterises this next stage of governance maturity. Professionals are likely to be more proactive and improve efficiency and engagement. Systems that help professionals measure and improve results, facilitate closer supplier engagement and manage the environment more effectively will be important at this stage.

Integrated strategy
Once the integrated strategy stage is reached, professionals will be looking to transform the enterprise and fully integrate compliance strategies into corporate strategy. This stage is characterised by proactive and systematic procedures, high-level interpersonal and communication skills, and certification. Flexibility is key.

Purpose and passion
Genuine industry and thought leaders can create a transformative culture that permeates the entire organisation. It's driven by a passionate, values-based commitment to the wellbeing of the enterprise, society and environment. It's cultural and ingrained; any wrongdoing is immediately obvious, and a zero-tolerance approach is expected.

Your clients' pension income: How it will fare under new legislation

The proposed removal of refundable franking credits will drastically affect the pension incomes of many people with SMSFs. Here's how your clients could be impacted

by Natasha Fenech

Natasha Fenech,
chief executive, SuperConcepts

Faced with the prospect of less income, many retirees will either need to divest some of their assets to qualify for the age pension and refundable franking credits or adjust their investment strategies by reducing their exposure to Australian equities.

Our analysis shows that self-funded retirees with assets marginally above the asset test thresholds are likely to respond by reducing their assets to qualify for a part age pension and a full refund of franking credits.

Naturally, the government's medium and long-term fiscal position would be adversely impacted as more retirees qualify and start receiving the age pension.

And the proposed pensioner guarantee is likely to exacerbate this situation as more retirees with investment assets just above the asset test threshold will receive less income then retirees with investment assets just below the threshold. There is a clear incentive here for a larger cohort of retirees to divest to ensure they aren't worse off.

Other self-funded retirees, including a large cohort of SMSF members, are likely to adjust their investment strategies by reducing their exposure to Australian equities.

Why do shareholders get franking credits?

Franking credits were originally introduced to eliminate the double taxation of company profits, once at the corporate level and again on the distribution of those profits as dividends to shareholders.

Franking credits, and the availability of refundable franking credits, offers investors a risk premium for exposing capital to potential investment loss, making share ownership more attractive to investors.

If this risk premium is removed or reduced, it stands to reason investors will reduce their exposure to Australian shares.

Obviously, this wouldn't be the preferred option for many Australians, but self-preservation will likely outweigh all else. It's worth noting that at 30 June 2018, SMSFs had over $229 billion invested in listed equities and this asset class represented over 30 per cent of total SMSF assets.

Franking credit refunds affect the future economic viability of Australian companies

For SMSFs, paying a retirement phase income stream to members, having access to a reliable source of cash flow – like a fully-franked dividend – is a critical component of the fund's investment strategy.

If refundable franking credits are removed, SMSF members are likely to change their investment strategy by moving their holdings of Australian equities to other types of investments such as overseas shares, direct property, investment trusts and managed funds.

Cue that downward spiral we outlined above: a reduced demand for Australian equities constrains access to capital for local companies, leads to higher debt due to the higher cost of finance, and affects employment.

In countries where no refundable franking credits exist, the allocation of equities to debt and infrastructure is the opposite of the Australian superannuation industry's asset allocation.

In simple terms, a 10 per cent reduction in Australian equity exposure would remove approximately $240 billion from the Australian share market or roughly 16 per cent of the overall market value. This would be unchartered waters for how Australian companies would replace this level of funding. And if they find they can't, then the impact on their economic viability would also be a new ponderance for local companies. One they could do without, no doubt.

Is the pensioner guarantee a protection if the franking credit refund is removed?

The proposed pensioner guarantee does little to protect SMSF members from the impact of removing refundable franking credits.

The guarantee will apply only to an SMSF if one or more members of the fund were receiving a Centrelink pension before 28 March 2018.

This 'at a point of time' approach means an SMSF that didn't qualify for the pensioner guarantee on 28 March 2018 but has members who qualify for a Centrelink pension sometime on or after 28 March 2018, will still not be eligible for a refund of excess franking credits.

To rub salt in the wound, this same person would be entitled to receive a refund of excess franking credits if they had an alternative retirement savings vehicle.

The same applies to new SMSFs established on or after 28 March 2018. These funds will not be entitled to the pensioner guarantee and will be denied access to refundable franking credits regardless of the assets of their members and their entitlement to Centrelink benefits.

Removing franking credit refunds hurts SMSFs

For many prospective SMSF investors, this is likely to be a significant factor when weighing up the merits of an SMSF.

SMSFs have a legitimate claim to be part of the superannuation system as they represent those who are fully engaged with their retirement savings. Not only do SMSFs play a valuable role in allowing individuals the choice to exert more control over their retirement savings, they also provide a more competitive dynamic in the superannuation sector.

We don't believe it's appropriate for government to introduce a tax policy that reduces choice in the superannuation sector by favouring some superannuation segments over others, and which penalises individuals who decide to manage their own retirement savings.

The proposed policy to remove refundable franking credits is a key platform for the Australian Labor Party to fund over $50 billion in election promises. It is currently subject to an inquiry by the standing committee on economics, which has received a detailed submission by SuperConcepts.

We will continue to fight for SMSF members and urge people to participate in this survey and provide insight on how this proposal will affect you and your retirement plans.

IPA awards

The IPA is pleased to congratulate and profile the 2018 members and practices of the year, announced at its National Congress at Doltone House in Sydney in November

Victoria

Practice: Tripolino Accountants and Financial Planners

Tripolino Accountants in Geelong was established in 1987 by principal Frank Tripolino, a member of the IPA and an Associate Financial Accountant of the IFA. Mr Tripolino initially operated as a sole practitioner, but has since grown his business to nine staff.

His interest in property development has provided great exposure to builders and contractors, ultimately positioning his practice as a leader in the building and construction area.

The company's success is due largely to good staff, innovation and implementation of modern systems and equipment. When recruiting new staff, the firm takes the view that skill can be taught and looks for employees with the right ideology who place the utmost importance on client satisfaction.

The firm is committed to industry innovation and is currently developing and trialling an online 24/7 accounting, bookkeeping and taxation system called 'Anytime Professionals'.

Member: Ivan Glavas MIPA

Ivan Glavas is a partner at Worrells Solvency and Forensic Accountants and has been a member of the IPA since 2013. He is a qualified Chartered Accountant who has worked in insolvency for 24 years.

Mr Glavas holds a Master in Business (Accounting and Finance) and a Graduate Diploma in International Accounting. His research has been used as part of a parliamentary review into Australian insolvency laws.

A registered liquidator and trustee in bankruptcy, Mr Glavas is the convenor and the driving force behind the IPA Northern Discussion Group in Essendon, which meets monthly to network and engage with speakers on a range of relevant and topical industry issues.

Mr Glavas is also a regular presenter at Victoria and Tasmania Annual Congresses, and has been a major contributor to various the IPA Chinese delegations.

When asked why he joined the IPA, Mr Glavas replied: "Because the IPA is like me... humble, grateful and does not take success for granted."

Tasmania

Practice: Smartax

Located in Hobart, Smartax was launched as a solo public practice in 2005 by Sam Harrisson, FIPA FFA, whose aim was to provide the best service possible to the Tasmanian individual taxpayer and small business market.

[L-R] IPA president Damien Moore, Kayleen Ruth King and IPA CEO Andrew Conway

Smartax has seen considerable growth in business and staff numbers, and today serves clients all over Australia. It prides itself on building significant relationships with its clients that extend beyond compliance obligations.

Smartax generously gives back to the community by donating more than $6,000 per month to charities and other not-for-profit organisations. The practice shows compassion to clients undergoing hardship, providing discounted fees based on personal or business circumstances.

Smartax provides ongoing support to the IPA by frequently attending Tasmania Congress and supporting other local CPD in Tasmania.

Member: Donald Ramritu FIPA

Donald Ramritu has been a member of the IPA since 1979 and a fellow since 1986. He served on the Tasmanian Divisional Council and was divisional president from 1995 to 1997. He also served as chair of legislation and recognition, chair of membership, Annual Congress Committee member and alternate director of the IPA's board of directors.

Mr Ramritu has travelled the state attending regional meetings and assisting in delivering regional CPD to support and grow the IPA's membership in Tasmania.

Mr Ramritu is committed to continually improving IPA's member recognition and has been involved in numerous community and government initiatives, including The Adult Migrant English Service, various ATO subcommittees and working groups, small business advisory panels, and industry training boards.

He was instrumental in having the TAFE accounting qualification upgraded to Advanced Diploma level and has long campaigned for Indigenous Australians to be awarded scholarships to study accountancy.

ACT

Member: Mike Mooney (Edward Michael Mooney)

Born in Cooma, NSW, Mike Mooney left the farm in 1971 to start working as an accounts trainee in Sydney. After studying commerce at NSW University part-time, he moved to Canberra in 1978 where he joined the business services and tax section of PricewaterhouseCoopers.

Mr Mooney completed a Commerce Accounting Certificate in 1980 at the Canberra Institute of Technology, before graduating with a Bachelor of Business (Accounting) from Charles Sturt in 1986.

In 1996, after working as a corporate financial accountant for 15 years, Mr Mooney started his own public accounting practice specialising in tax and small business services. He has since advised a variety of Canberra and regional businesses from numerous industries.

Mr Mooney joined the National Institute of Accountants, the predecessor of the IPA, in 1996. He served on the IPA (National) Nominations Committee until 2017, following which he was appointed to the IPA board of directors.

He is a proud dad to Matt, David and Em, and enjoys rugby, music and the guitar.

Queensland

Practice: Chappel Accounting

Chappel & Associates was launched in October 1997 by Mary Anne Chappel, a full member of the IPA since 1995.

On completion of her accounting qualifications with Capricornia Institute of Advanced Education (now CQ University), Ms Chappel commenced her career in the accounting industry in 1988 with a south-west Queensland practice in Roma.

Relocating to Townsville for her family, she worked for a large practice for a period of three-plus years before founding her own business.

At first a home-based company servicing approximately 15 small business clients, Chappel & Associates now consists of an all-female staff of eight employees and is located in its own commercial office space.

Ms Chappel successfully transitioned to a company structure in 2014 to allow for future growth and succession planning. She proudly promotes her involvement in the IPA, donates her time to sporting associations and helps not-for-profit organisations in her spare time.

Member: Michael McNamara

Michael McNamara has a keen sense of growing the accounting profession and the IPA, of which he is a Fellow, in service of his clients. Together with his wife and team, he has built a successful practice, McNamara Accountants, servicing SMEs and private clients.

Mr McNamara lives the values of the IPA focus on SMEs – he runs one, he advocates for them robustly with the ATO, while also seeking and challenging advice.

The IPA praises Mr McNamara for his modesty, generosity and genuine interest in sharing his ideas about business and tax issues. To quote the IPA: "Michael is an example of those we should celebrate of as true pioneers in our body – who have seen so much (and have dealt with great change) and still give so much."

[L-R] IPA CEO Andrew Conway, Mary Anne Chappel and IPA president Damien Moore

Kayleen Ruth King

NSW

Practice: George Kemp + Associates

George Kemp + Associates is a family run, boutique advisory tax and accounting business with a 25-year history.

With over 75 years of combined experience, this chartered accounting firm provides a full range of quality tax, accounting and advisory services to a broad client base, ranging from medical specialists to entertainers, entrepreneurs to mums and dads with investments.

The company's principal, George Kemp, has 40 years of tax experience, having previously worked for Arthur Andersen, Coopers & Lybrand, the Australian Taxation Office, State Super and Warner Bros.

He is a chartered accountant, chartered tax adviser, Fellow of the IPA and the Taxation Institute, justice of the peace, and is currently the chairman of the Prince of Wales Hospital Foundation.

Mr Kemp's specialty is international taxation.

Member: Annette Tasker

Annette Tasker joined the NIA in 1995, while working as the only office staff in a small family manufacturing business.

To quote Ms Tasker: "Upon joining the NIA, I discovered a world of support available that has become stronger and more important to me over the years."

She began doing more and more bookkeeping as an employee of a number of small businesses and successfully juggled part-time work with raising three teenagers as a single parent.

Having attended numerous seminars run by the NIA, Ms Tasker soon received the confidence she needed to open her own business, and did so some 13 years ago.

She has continued to attend the IPA's many seminars, workshops, conferences, congresses and webinars.

"I am indeed a proud member of the IPA, and have consolidated that by now becoming a member of the Divisional Advisory Council," she has said.

"I hope to use my experience in business and in practice to support our members and add to the collegial, supportive environment that the IPA is so strong in supporting."

WA

Practice: Mackay and Associates Accountants & Business Advisors

Annette Mackay, director of Mackay and Associates Accountants & Business Advisors, commenced working as an accountant in the field of taxation in 2003.

Previously an accounting, business and legal studies educator, she was driven to further develop her expertise in the accounting field and focus her career within this discipline.

Ms Mackay holds a Master of Accounting with Distinction from Curtin University and dual membership with both the IPA and Certified Practising Accountants of Australia (CPA Australia). She is also a Fellow of the Tax Institute and a registered tax agent.

She launched her company on 31 August 2015 and has since been recognised as the best in the field of individual and small business tax compliance and business advisory services.

An IPA member since 2009, she has seen the institute rebrand, grow in membership size and gain momentum towards becoming one of Australia's front-runners in supporting small business accountants.

Member: Kayleen Ruth King

Kayleen Ruth King is a Fellow of the Institute of Public Accountants with over 20 years of experience in public practice in the Goldfields. She holds a Bachelor of Accounting with dual majors in accounting and taxation, and a Graduate Certificate in Professional Accounting completed through the IPA program.

Ms King is a public accountant and tax agent at her firm, Miller & King Accounting, which services small to medium businesses.

In the words of the IPA, she is passionate about sharing and developing knowledge and expanding the potential of staff and clients.

The Miller & King Accounting Facebook page has had five-star client reviews, with Ross Elkington commenting, "I've been with Kayleen for an eternity and can't understand why she hasn't aged like I have LOL. On a serious note, I have never had an issue and had everything explained thoroughly. Keep on keeping on Kayleen, excellent work."

SA/NT Division

Practice: Sheridans Accountants & Financial Planners

Sheridans is an innovative accounting and business advisory firm comprising of 22 employees, including nine accountants, three financial planners, a mortgage broker and support staff.

Based only a short drive from the Adelaide CBD, and founded in 1986, the company specialises in helping ambitious business owners grow their business, their profits and their wealth.

The company prides itself on its membership in the IPA and focuses its work towards educating small business owners. It advocates well for the industry and is overall a great brand ambassador for the IPA.

The IPA would also like to congratulate the 2018 national winners:

National Practice of the Year: Chappel Accounting

National Member of the Year: Kayleen Ruth King

Greg Sheridan, one of the company's founding directors, has been in public practice for over 30 years and has dealt with most problems facing small to medium size businesses or enterprises.

He has been a strong supporter of the IPA as well as the small business community in Adelaide.

Member: Wendy Macdonald

Wendy Macdonald has been a long-standing and loyal IPA member in the SA/NT division, and is a certainly a member of good standing.

Her business, WJ Macdonald, has been successfully running since 1984 and has provided excellent service and quality work to her clients in the greater Greenacres area.

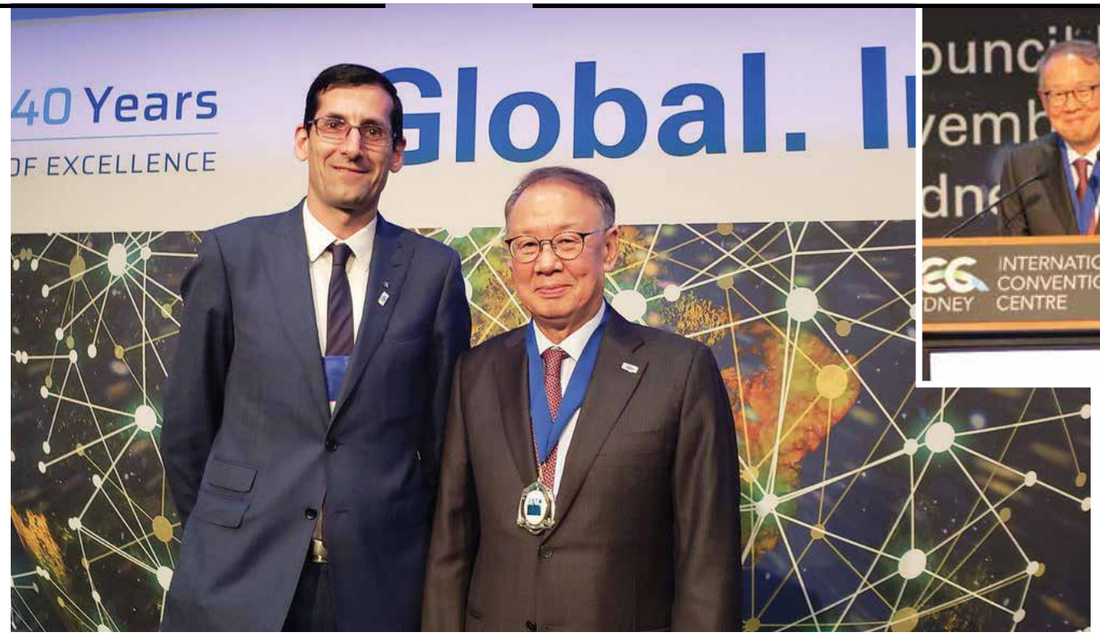
The company prides itself on being a family practice with an excellent reputation within Adelaide's financial sector and specialising in income tax preparation, small business accounting and self-managed superannuation funds.

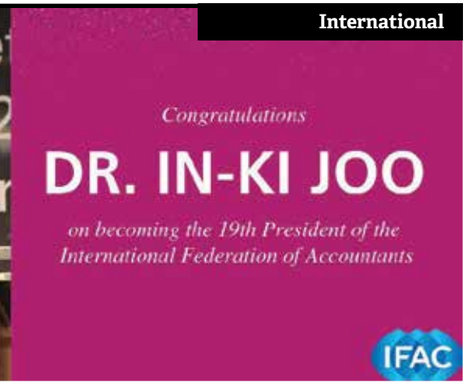
Ms Macdonald is a prime example of an IPA member and its commitment to the small business community.

She has been a major supporter of the IPA and its events, continuing to represent the SA division at national events as well as international ones.

IFAC elects new president

In November last year, the International Federation of Accountants elected Professor In-Ki Joo of the Republic of Korea as its new president for a two-year term





IFAC has had 19 presidents since it was founded in 1977

Dr Joo will serve a two-year term through November 2020. He previously served as IFAC's deputy president since 2016. He succeeds Rachel Grimes of Australia, who served from 2016 to 2018 and was IFAC's second female president.

In announcing the new appointment, IFAC noted that Dr Joo's commitment to serving and representing the profession is evident in his varied and deep leadership roles, including on the board of LG Electronics and for the Korean Institute of Certified Public Accountants.

Dr Joo also brings a leading academic voice in accountancy to the role in his current role as a Professor, Emeritus, of Accounting at the Yonsei University School of Business, as well as previous roles as the dean of the University College and the dean of academic affairs at Yonsei University.

Further, Dr Joo throughout his career has served in top leadership positions at the Confederation of Asian and Pacific Accountants, the Korean Accounting Association, the Korean Academic Society of Business Administration, and the Korean Academy of Business Ethics.

"I believe strongly in the potential of the profession to support the growth and stability of organisations, financial markets and global economic progress," Dr Joo said in response to his appointment.

"I am honoured and energised to lead IFAC during this time of great change and opportunity for our profession. In particular, I look forward to focusing on a future-ready profession which harnesses the strength of its education platforms and commitment to ethics."

IFAC's 2019-20 strategic plan

Likely to feature highly on Dr Joo's agenda during his tenure is implementing IFAC's strategic plan for 2019-20, bearing the tagline 'Build Trust. Inspire Confidence', in response to public trust in governments and institutions being at what it believes to be "an all-time low".

"The respected Edelman Trust Barometer finds that trust is 'in crisis' and the profession faces questions about ethics, professionalism, the adequacy of its standards, and its performance in relation to those standards," said IFAC in its plan.

"There is an urgent need and a real opportunity for the accountancy profession to speak into the public conversation about rebuilding trust, with an authority built on decades of acting in the public interest and advocating for transparency and accountability.

"As an organisation committed to time-tested values of integrity, expertise and transparency, IFAC is the trusted and influential voice for the global profession and plays a critical leadership role in building trust and inspiring confidence in the profession's future."

In addition, a forward-looking presidency is to be expected from Dr Joo. One of his first keynote addresses as president was in Indonesia on 11 December 2018, where he spoke about the global accounting profession beyond the year 2030.

He addressed four major external challenges facing the profession: industrial disruption, fighting fraud and corruption, good governance in the public and private sectors, and regulatory harmony. As for internal challenges, Dr Joo noted a code of ethics, education and training systems, nurturing next-generation talent and speaking out on public interest issues.

"Being nimble and agile is critical as we respond to those external and internal challenges as we lead our accounting profession to play a critical role in building a strong and sustainable economy," Dr Joo said.

Other appointments and admissions

In addition to Dr Joo's appointment, IFAC has also elected Alan Johnson of Portugal and the UK as deputy president, having served on the IFAC board since November 2015.

Mr Johnson's accounting career, spanning more than three decades, includes a recent appointment as non-executive director of the UK Department for International Development.

IFAC also admitted the Association of Accountants of the Republic of Latvia (AARL) as a new member organisation, having been sponsored by the Latvian Association of Certified Auditors. Established in 1994, IFAC recognised the AARL's "great progress since admission as an IFAC Associate in 2013, particularly in the area of international standards adoption".

Dr In-Ki Joo – A distinguished career

- Previously served as the IFAC deputy president since November 2016
- Member of the IFAC board since November 2012
- Professor, Emeritus, of Accounting at the Yonsei University School of Business
- Former dean of the University College and dean of academic affairs at Yonsei University
- President of the Confederation of Asian and Pacific Accountants from 2009 to 2011
- Former president of the Korean Accounting Association and president of the Korean Academic Society of Business Administration
- Former member of the Advisory Committee to the General Audit Bureau in the Republic of Korea
- Former president of the Korean Academy of Business Ethics
- Received the Decoration of Excellent Achievement by the President of the Republic of Korea in 2004 and Honor from the Deputy Prime Minister and the Ministry of Finance and Economy in 2001
- Earned an MBA and PhD in accounting at New York University

The IFAC board

On top of electing a new president and deputy president, the IFAC appointed six new members to the IFAC board, spanning four continents:

- Sheila Fraser of Canada, nominated by Chartered Professional Accountants of Canada (CPA Canada)
- Margrét Pétursdóttir of Iceland, nominated by Nordic Federation of Public Accountants (NRF)
- Christine Ramon of South Africa, nominated by South African Institute of Chartered Accountants (SAICA)
- Jianhua Tang of China, nominated by Chinese Institute of Certified Public Accountants (CICPA)
- Ayse Ariak Tunaboylu of Turkey, nominated by Expert Accountants' Association of Turkey (EAAT)/Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
- Lisa Padmore of Barbados, nominated by Institute of Chartered Accountants of Barbados (ICAB)

The latest on the IPA's advocacy work

The IPA lobbied the government on issues such as the black economy taskforce, unfair contract terms and amendments to accounting standards

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Improving black economy enforcement and offences

The IPA is supportive of the endeavours of the Black Economy Taskforce to tackle the issues arising from black economy activities to level the playing field for taxpayers. In this regard, we welcome the government's initiative to consider alternative forms of enforcement to act as a deterrent for those contemplating or undertaking such activities.

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 (the Commissioner);
- 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 debts;
- potentially increasing civil penalties and lowering the "recklessness" test threshold for sham contracting arrangements under Fair Work legislation, and improving the black economy enforcement and expenses; and
- record keeping requirements for those in receipt of gambling winnings and gifts.

Executive summary

From our perspective, 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 banks accounts for longer periods, and the ability to access certain telecommunications data.

We are concerned that the granting of these additional powers to the Commissioner could do more harm than good in how the Australian Taxation Office (ATO) is currently perceived by the community.

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.

Review of Unfair Contract Term protections for small business

The Unfair Contract Terms provisions were introduced into the *Competition and Consumer Act* with effect from 1 July 2010 and were extended to apply to small business with effect from November 2016. This was a welcome extension of the provisions, supported by the IPA-Deakin SME Research Centre.

The ACCC has been active in pursuing cases of alleged unfair contract terms with positive results (see for example, *ACCC v JJ Richards & Sons Pty Ltd* [2017] FCA 1224). However, further reform is required:

1. The consequences for including an unfair contract term in a standard form contract are inadequate to provide a deterrent effect.

2. Consideration needs to be given to whether the dual requirement of a 'small business contract' as well as a 'standard form contract' is needed. Clarity around the definition of a small business contract could remove the need for restricting application of the provisions to only 'standard form contracts'. It is also worth considering whether an additional prohibition against 'unfair trading practices' is required.

3. Improvements are needed to ensure that small businesses are aware of their rights and are able to access justice.

Amendments to Australian Accounting Standards – Right-of-use assets of not-for-profit entities

The IPA made a submission on ED 286 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*.

The IPA supports the proposed amending standard for reasons stated in the exposure draft.

It is unfortunate that the proposed amendments were considered necessary so close to the operative dates of AASB 17 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. Many not-for-profits have invested scarce resources in preparing to fair value right-of-use assets, including incurring valuation costs.

The comment period for the exposure draft is extremely short. This is also disappointing.

In relation to the issues on which the Australian Accounting Standards Board (AASB) has sought comment, we respond as follows:

Specific questions

1. We agree with the proposed temporary option for not-for-profit entities to not measure right-of-use assets at initial recognition at fair value for leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.

We believe that the AASB should at least give an indication of how long this temporary option is likely to apply as this will give some certainty to users, preparers and auditors. Alternatively, a formal expiry date of three years should be set. This should also allow the AASB sufficient time to resolve the issues.

2. Not applicable as we support one above.

3. We support the additional disclosures proposed. Aus59.2 refers to 'material' leases, material can be deleted as materiality is self-evident. The disclosures should address the situations where the lease terms have expired but the NFP entity still benefits from the lease. We are aware that this is not unusual, in essence that lease has been 'forgotten' by both parties.

Corporations Amendment (Proprietary Company Thresholds) Regulations 2018

The IPA made a submission on the exposure of the draft *Corporations Amendment (Proprietary Company Thresholds) Regulations 2018*, which are proposed to apply from 1 July 2019.

The IPA supports, with reservations, increasing the thresholds for financial reporting, auditing and

lodgement for small proprietary limited companies. We consider that revised thresholds are more likely to underpin the requirements for public accountability and user decision-making than the existing threshold tests.

We consider that the threshold increase should be co-ordinated with:

- The removal of the option to lodge special purpose financial statements with ASIC (and other regulators) that is currently being progressed by the AASB; and
- The withdrawal of the Regulatory Guide 115 *Audit Relief for proprietary companies* and ASIC *Corporations (Audit Relief) Instrument 2016/784*. The increase in the thresholds should see no need for them. The general relief provisions would still continue to be available.

We note reference is made to 'reducing the financial reporting burden by increasing the thresholds for large proprietary companies. We do not consider financial reporting to be a burden per se. Furthermore, the explanatory memorandum contains no reference to the public interest being served by the increased thresholds. We consider this to be the better argument to be prosecuted than the one currently advanced.

Consultation paper – The digital economy and Australia's corporate tax system

The IPA-Deakin SME Research Centre made a submission in response to the federal government's Treasury discussion paper on the digital economy and Australia's corporate tax system issued in October 2018.

As we have noted with many previous federal government initiatives, we are most pleased with the government's willingness to work closely with the Group of 20 member countries (G20), as well as the Organisation for Economic Co-operation and Development (OECD), on issues that will significantly impact Australian businesses, business owners and ordinary Australians.

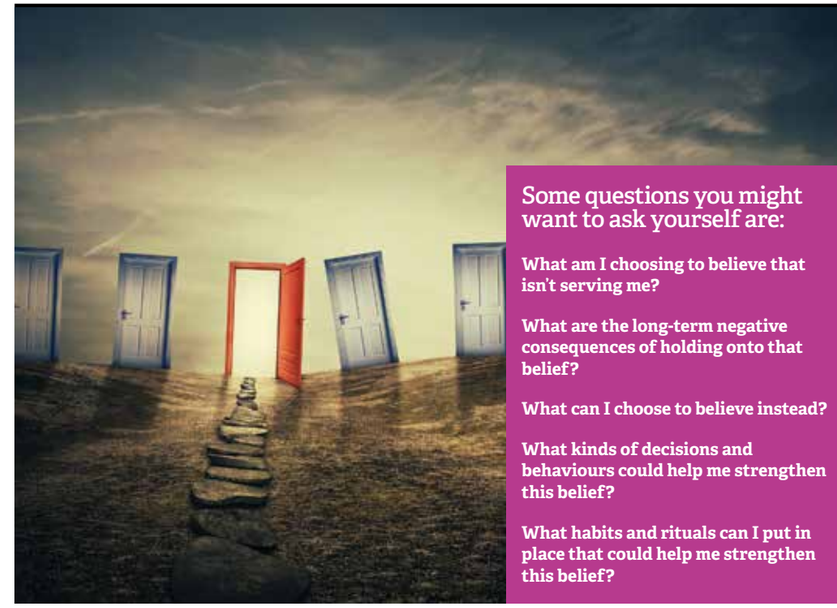
The digital economy is indeed one of those issues that has already impacted each and every Australian, and will forever continue to do so in so many ways; in the way we do business; in the way that we communicate and socialise as individuals; in the way that we create and use data, which in turn creates value for a range of entities operating in the digital economy; in the way that we drive our businesses without the need for physical presence; in the way that we rely more heavily on intangible assets rather than assets of physical substance... and the list goes on, albeit in a somewhat inextricable manner.

Understandably therefore, what we have before us, as clearly articulated in the government's discussion paper on taxation of the digital economy, is a game-changing phenomenon.

And so, the time has come to review international tax laws that, while serving their purpose most effectively since their introduction in the 1920s, have now been exposed to various forms of abuse, impairment and even incongruence against a background of a rapidly changing virtual world.

Arguably, multinational corporate giants engaging in profit shifting activities supported by clever transfer pricing arrangements, as well as creating new business models that are changing the 'value chain' and in so doing confusing the traditional application of defined and previously well understood terms such as 'nexus', 'arms-length', 'permanent establishment', and 'source', have exacerbated concerns over the appropriateness of existing international tax regimes. In turn, this has heightened the need to urgently review existing cross-jurisdictional tax laws as well as tax treaties between participating countries.

In this sense, the IPA is in full agreement with the federal government, as well as other governments working with the OECD on the digital tax agenda (such as the UK, for example), that the solution to taxation of the digital economy must by necessity be derived multilaterally through the full co-operation of participating countries.



Some questions you might want to ask yourself are:

What am I choosing to believe that isn't serving me?

What are the long-term negative consequences of holding onto that belief?

What can I choose to believe instead?

What kinds of decisions and behaviours could help me strengthen this belief?

What habits and rituals can I put in place that could help me strengthen this belief?

Whether you believe you can or you can't, you're right

Beliefs are a choice; they are not something you are born with

by Sophie Watkins

Sophie Watkins, health and life coach, Fithab

It's important to understand that beliefs are not facts nor are they fixed. They are just a feeling of certainty about what something means to you. Beliefs are are something you simply do that are influenced by a thought that you just keep on thinking. You've thought it so often that you don't even realise you are thinking it.

These thoughts are usually supported by internal and external references, e.g. media, TV, friends, family, your own personal experiences from the past, as well as your imagination.

Limiting beliefs are incorrect assumptions based on very limited data of how you may have interpreted experiences in which you have generalised and mistaken for reality over time. They are essentially assumptions about ourselves and others and our expectations on how things should or shouldn't be.

Limiting beliefs can determine how you feel about yourself, how you feel about others, and how you feel about the certain events and circumstances in your life.

So maybe you're thinking about achieving a particular goal. For example, you might have a goal to earn an extra $50,000 this financial year.

However, as you're thinking about this goal, you start to feel uncertain. Maybe you start to notice yourself making excuses, procrastinating, expressing fears, worrying about failure, indulging in negative thoughts: "I can't", "I'm not good enough".

It's these beliefs that you need to bring into your conscious awareness, as these are the beliefs that are limiting you and holding you back from getting where you are now to where you want to be in life.

The question is... if what we think and believe is all a choice, then why do we choose to carry around beliefs like I'm not good enough, I'm unlovable, I'm unworthy, I'm a failure?

Usually, this is because subconsciously your belief systems have served you with some kind of purpose. They may have protected you from something, which is why you have held onto them for so long. They have had good intentions, normally protecting you from some sort of psychological pain. However, these intentions are often misleading, as they are only protecting you from the short-term pain, which can actually lead to long-term pain.

So, it's important to start asking yourself: "Are these beliefs serving me? Are they helping me or are they hindering me?"

Once you have recognised that these beliefs no longer serve you, we need to replace them with new empowering beliefs. How liberating it is to know that if we can create them into anything we want, then we can change them into anything we want!

It takes hard work, commitment and dedication to completely rewire these neural pathways. You need to condition and strengthen the new belief until it overrides the old one.

If you don't act upon it, and if your actions and behaviours are not congruent with your new belief, then nothing will change. For example, if you built a belief "I am a confident person", but then you constantly shy away from new encounters, then you are essentially contradicting and undoing all your hard work.

So, it's important to take action and prove your new belief. Look for opportunities and create opportunities that back up and reinforce your new belief.

Hayne royal commission and FOFA

Reforms to financial services have been ongoing for well over a decade and as most accountants know, one of the most significant for the accounting profession has been the Future of Financial Advice (FOFA) reforms. Whether or not they've delivered has been exposed to some extent by the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Below is an excerpt from the IPA's submission to the interim report

by Vicki Stylianou

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

POLICY OBJECTIVE: Corporations Amendment (Future of Financial Advice) Bill 2011 (the Bill): The Bill and subsequent legislation implemented the first components of the FOFA reforms. The reforms focus on the framework for the provision of financial advice. The underlying objective of the reforms is to improve the quality of financial advice while building trust and confidence in the financial planning industry through enhanced standards which align the interests of the adviser with the client and reduce conflicts of interest. The reforms also focus on facilitating access to financial advice, through the provision of simple or limited advice. To this end, the Bill sets up a framework with the following features:

- a requirement for providers of financial advice to obtain client agreement to ongoing advice fees and enhanced disclosure of fees and services associated with ongoing fees (charging ongoing fees to clients); and
- enhancement of the ability of ASIC to supervise the financial services industry through changes to its licensing and banning powers.

The reforms also include the introduction of a requirement for advisers to act in the best interests of clients and a ban on conflicted remuneration, including commissions, volume payments and soft-dollar benefits.

Is there evidence of market failure?

As stated above, the policy objective of FOFA was to provide affordable and competent advice to Australian consumers. According to ASIC *Report 224* (December 2010), a survey at the time suggested that 60 per cent to 80 per cent of adult Australians have never used a financial adviser. In the eight years since this report and the introduction of FOFA, which was meant to increase the number of Australians accessing financial advice, we find that the numbers have not changed.

> The policy objective of FOFA was to provide affordable and competent advice to Australian consumers.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in *Background Paper 6 (Part A), Some Features of the Australian Financial Planning Industry*, 2018, stated: "Public information indicates that between 20 per cent and 40 per cent of the Australian adult population use, or have used, a financial planner or adviser. The Productivity Commission (PC) observed that 48 per cent of Australian adults indicated having unmet financial advice needs" (*Draft Report: Competition in the Australian Financial System*, January 2018). Even though the number of financial advisers has grown by 41 per cent from 2009 to 2018.

The PC report found that the five main types of advice sought by consumers were:

1. Superannuation and retirement advice;
2. Loan and investment advice;
3. SMSF advice;
4. Other services – such as estate planning; and
5. Tax advice.

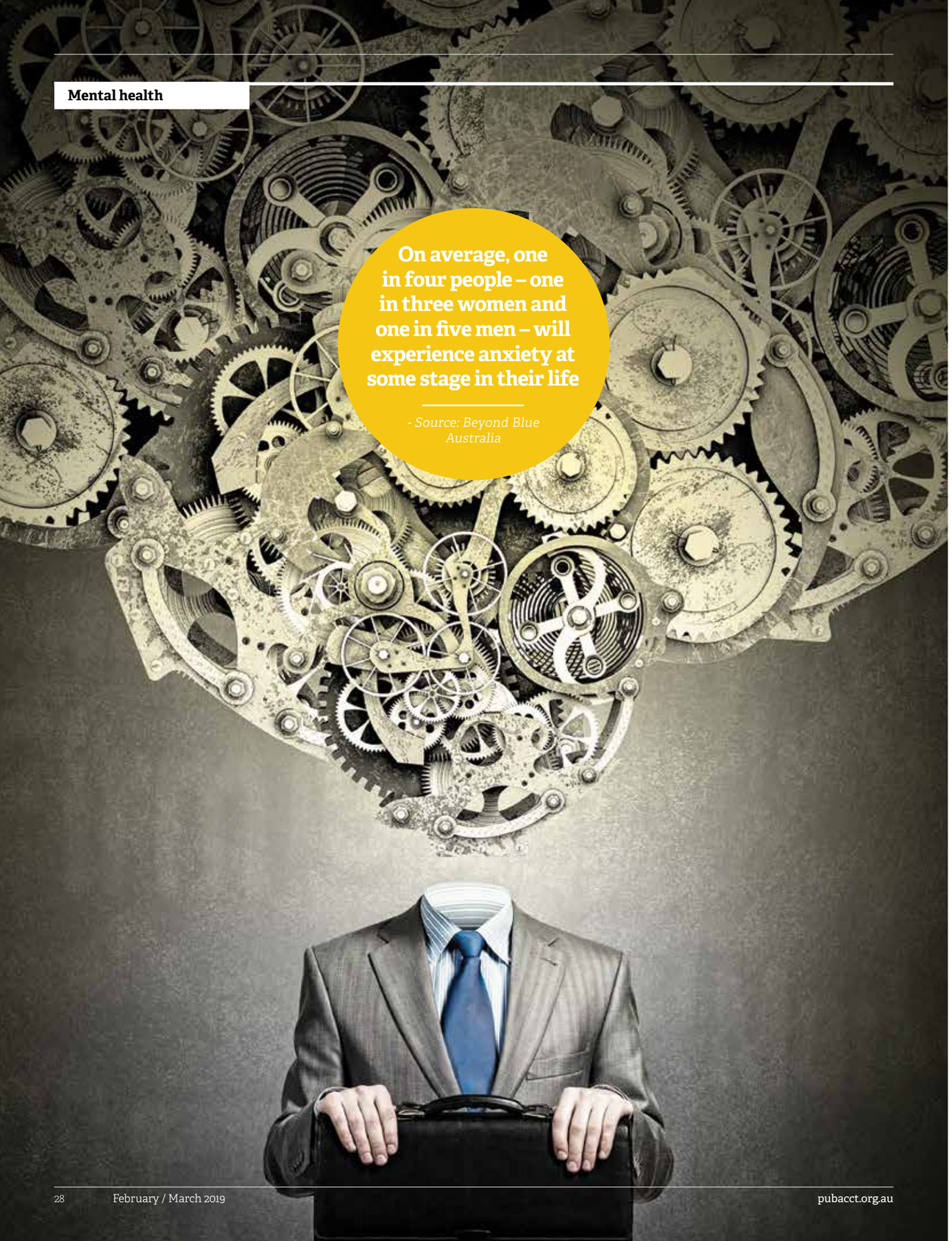
ASIC *Report 562: Financial Advice: Vertically Integrated Institutions and Conflicts of Interest*, January 2018, reviewed financial institutions' approved product lists and found that they comprised 21 per cent in-house products and 79 per cent external products. However, as a result of receiving personal advice from the licensee's advisers, 68 per cent of the total funds invested by customers were placed into in-house products, with 32 per cent of such funds invested in external products. The ASIC report went on to state that the review found that overall, customers were not better off from the advice and that their best interests were not served. Of advisers, 44 per cent (both aligned and non-aligned) operated under a licence controlled by the 10 largest financial institutions.

Investment Trends' 2017 *Financial Advice Report* found that demand for advice from financial planners is at a record high, with numbers of people intending to access advice increasing since 2013. However, financial planners are not able to turn this demand into actual clients with planners typically losing three clients for every two they gain. According to the report, one of the main problems is the substantial difference between the amount that Australians are willing to pay for advice ($750 on average) and planners' estimated cost of delivering advice ($2,500 on average). Over nine in 10 potential planner clients are open to conducting review meetings with someone other than their planner if it meant a reduction in fees.

> IPA contends that there is sufficient evidence of continued market failure despite the FOFA reforms.

Under the *Corporations Act*, generally before the financial service is provided, a retail client must be provided with a Financial Services Guide (FSG) that contains information about remuneration, including commissions or other benefits to be received by an adviser. If personal advice is provided, the retail client also generally receives a Statement of Advice (SOA) from an adviser, which includes information about the advice and remuneration and commissions that might reasonably influence the adviser in providing advice. Before a product is provided, a retail client must further receive a Product Disclosure Statement, which must also include information about the cost of the product and information about commissions or other payments that may impact on returns. By this stage the cost of advice has become more than some consumers are willing to pay.

Based on the Hayne royal commission, PC, ASIC and Investment Trends reports, the IPA contends that there is sufficient evidence of continued market failure despite the FOFA reforms coming into operation, and that government intervention is warranted through the form of a qualified accountants financial services licensing regime.



On average, one in four people – one in three women and one in five men – will experience anxiety at some stage in their life

- Source: Beyond Blue Australia

Time to TALK

Mental illness is impacting the small business community. But accountants ready to acknowledge a social responsibility can play a vital role in loosening its grip

by Linda Santacruz

Before delving into his research at this year's World Congress of Accountants in November, Andrew Conway knew his presentation on mental health would be shocking.

The Institute of Public Accountants chief executive doesn't have a clinical background, but after touring the country to speak to members and small businesses, he was categorically certain this public health issue needs to be better discussed and handled in the accounting profession.

"I'm not apologetic for raising a confronting issue," he says.

"We have to step up as a profession and lead on some of these issues and talk about them. Because they'll always be taboo if we don't talk about them."

Mr Conway's address encouraged accountants everywhere to realise the harsh realities of mental health issues among small business owners. Research shows that workplace stress is one of the main reasons behind physical and mental health problems, and is having an impact on the economy.

According to CEDA – the Committee for Economic Development of Australia – ignoring mental health is costing Australian businesses $48.9 billion per year due to costs associated with unemployment, days of absence, reduced labour income as well as time off to care for someone.

But in its survey of small business owners, the IPA found that over 90 per cent of participants said engaging with an accountant has reduced their rates of stress, anxiety and depression. This finding makes it crucial for

accountants around the world to realise they have an important social role to play.

"It's re-emphasising the social value that accountants have. The business that we're in is not the numbers game. The business we're in is the human business, interacting with people and making sure that when a client turns up at the practice with their back against the wall saying 'I can't do it anymore', the accountant says, 'Don't worry, I'll take care of it'," Mr Conway says.

"You could well have changed the course of that person's life."

An important role

According to Stephanie Thompson, a corporate psychologist and owner of behavioural services consultancy Insight Matters, there are several reasons why small business owners are particularly vulnerable to mental health issues.

"Typically, they are high-achievers, and they are forced to step out of their comfort zone in many ways to manage the business. A skilled craftsperson finds themselves in the additional role of salesperson, bookkeeper, human resources expert and customer services provider," she says.

"Then when the business grows, owners feel they personally must compensate for all shortfalls in staffing because no one else will. Critically, they have to make salary each month, one way or another. No exceptions. They feel they can never take a break."

But it wasn't until recently that businesses have started paying attention to this. Ms Thompson says mental health has become a big topic over the past several years, and society has come to understand just how frequently mental wellbeing problems can occur.

She adds that large organisations, for whom small business owners are core customers, have been studying the phenomenon and discussing how they may better interface with it.

"[In the past], when a business owner experienced health challenges, it was typically denied and pushed through, rather than proactively and constructively managed. When staff experienced these issues, the loss of their job was likely. The associated absences and performance issues were not well understood, and their impacts were, and still are, very difficult for small businesses to absorb," Ms Thompson says.

But for the IPA, the significance of this issue was not realised until its 2015 roadshow. Mr Conway says 70 per cent of the people the tour engaged with said they were feeling overstressed, anxious or depressed. The vast majority cited their small business as the reason for their issues.

"It was actually the number one issue that members were raising and small businesses were raising with us. It was keeping them awake at night, their mental health. And business might be going well, but some of them were just saying to us, 'We can't keep going like this'," he says.

"As we stepped through that, the next question arose: how much impact and influence does an accountant have on that mental health and wellbeing?"

Australians are more likely to die by suicide than skin cancer

- Source: The Black Dog Institute Australia

As it turns out, accountants do have a big impact. The IPA's survey found that 35 per cent of small businesses wish they engaged a professional accountant earlier in the life of their business, while 93 per cent rely on a public accountant for advice beyond standard compliance and tax-related matters.

During his address at the World Congress of Accountants, Mr Conway highlighted a harsh fact. He said that rates of suicide globally are on a significant rise, with over a million suicides expected in 2018. By 2021, that number is expected to jump to 1.5 million.

Mr Conway believes that with the right tools and resources, accountants can make a huge difference in the lives of their clients and ultimately contribute to the decline of mental illness among SMEs.

"If we in our roles across the profession can assist just one person, well, isn't that worth it? Of course, it is," he says.

"There's a far bigger thing at stake here, and that is about the quality of life of the people we engage with and understanding that and resourcing it and giving our members the skills they need to provide that support."

Resources for accountants

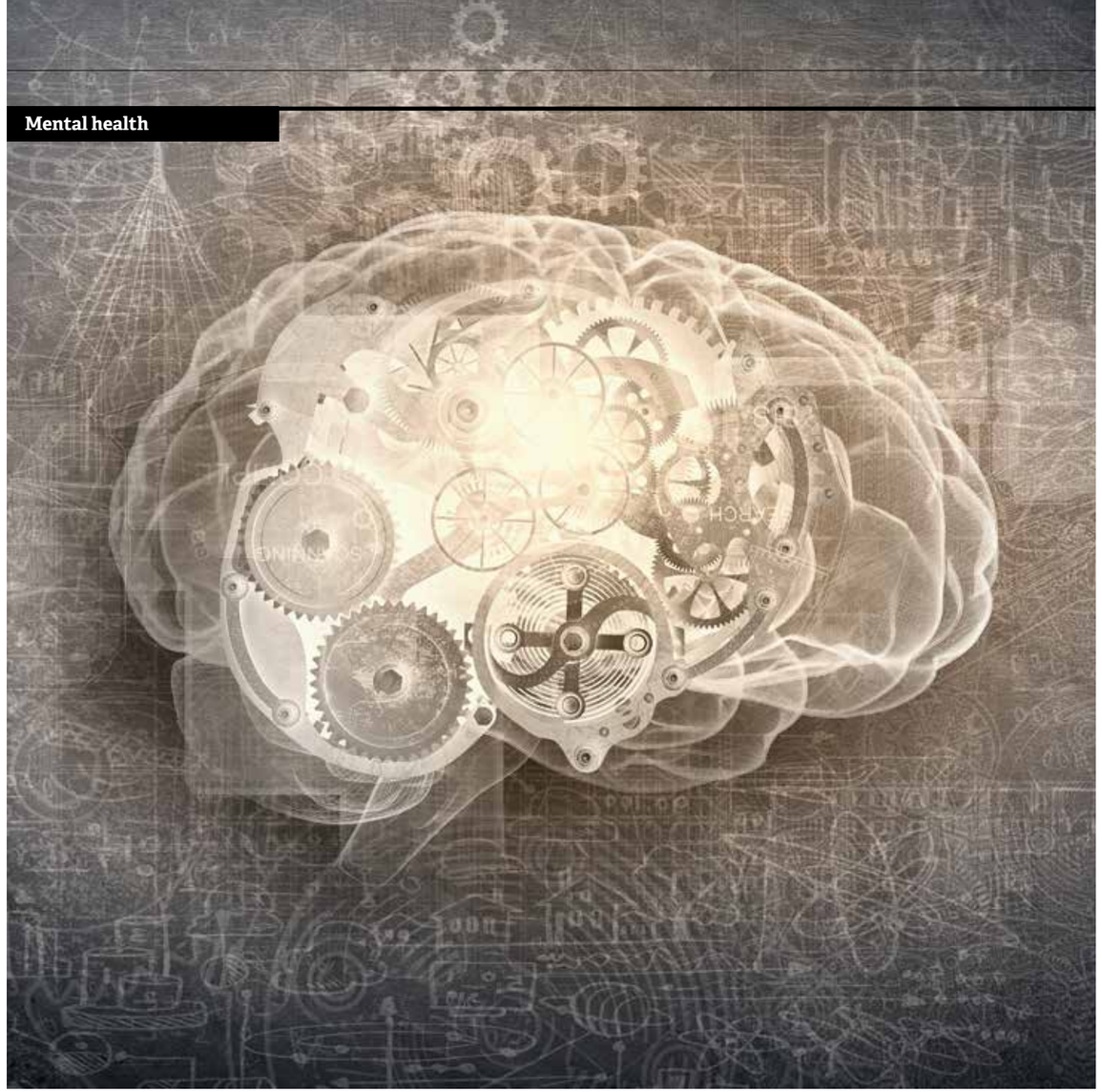
Creating those tools to support SME mental wellbeing is exactly what the IPA is currently working on.

Mr Conway says the IPA is providing access to mental health

The facts: Depression

Depression has high lifetime prevalence – one in seven Australians will experience depression in their lifetime. Depression has the third highest burden of all diseases in Australia (13 per cent) and also third globally. Burden of disease refers to the total impact of a disease measured by financial cost, mortality, morbidity and other indicators. It is often expressed as number of years of life lost due to ill-health, disability or early death.

- Source: The Black Dog Institute Australia



Falling short: Treatment

About 54 per cent of people with mental illness do not access any treatment. This is worsened by delayed treatment due to serious problems in detection and accurate diagnosis. The proportion of people with mental illness accessing treatment is half that of people with physical disorders.

- Source: The Black Dog Institute Australia

first aid training and facilitation training for its members. The organisation is also partnering up with other specialist groups for support and building frameworks for members to lean on. The IPA also hopes to create an educational component.

"The challenge is making sure we have the right ability to use a radar as professionals to see a person sitting opposite from you, who is displaying certain signs, and use that as cues to handle some very difficult conversations. How do we provide the best resources to accountants to have to wear all that from the client's point of view, and where does the accountant then go? Who do they turn to?" he says.

"We've got to build better resources. There's a longer-term issue of how we build education frameworks. I'd like to see in a few years' time, hopefully shorter than that, every professional accounting program having an element of mental health first aid within it. So, before we prepare and send accountants into the profession, they are aware of these issues and have the skills they need to deal with them."

Mr Conway says these initiatives are not about branding or the profession, but about the community.

"From the IPA point of view, we want to share those resources across jurisdictions. This is not about brands. It's not about individual people in the profession. It's about what's best for clients and what's best for the community," he says.

"We know through our own research that the big thing that students want coming into our profession is that they want to know their work has social value. I would argue, what greater social value could you give than assisting a client get a better life?"

Ms Thompson agrees that accountants can contribute to healthier outcomes for SMEs.

> "We have to step up as a profession and lead on some of these issues and talk about them. Because they'll always be taboo if we don't talk about them"
>
> – Andrew Conway

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"A competent and trustworthy accountant is a godsend to a small business owner. Finances are an area that so many struggle with, and from which much stress is driven," she says.

"Most non-accountants don't understand their own books or reporting requirements. Accounting protocols are not necessarily intuitive and, because the business owner's neck is on the line regardless, the whole topic can provoke great anxiety. So, an accountant who gently educates their SME client, and proactively structures their business' finances, is actually a tremendous stress reliever.

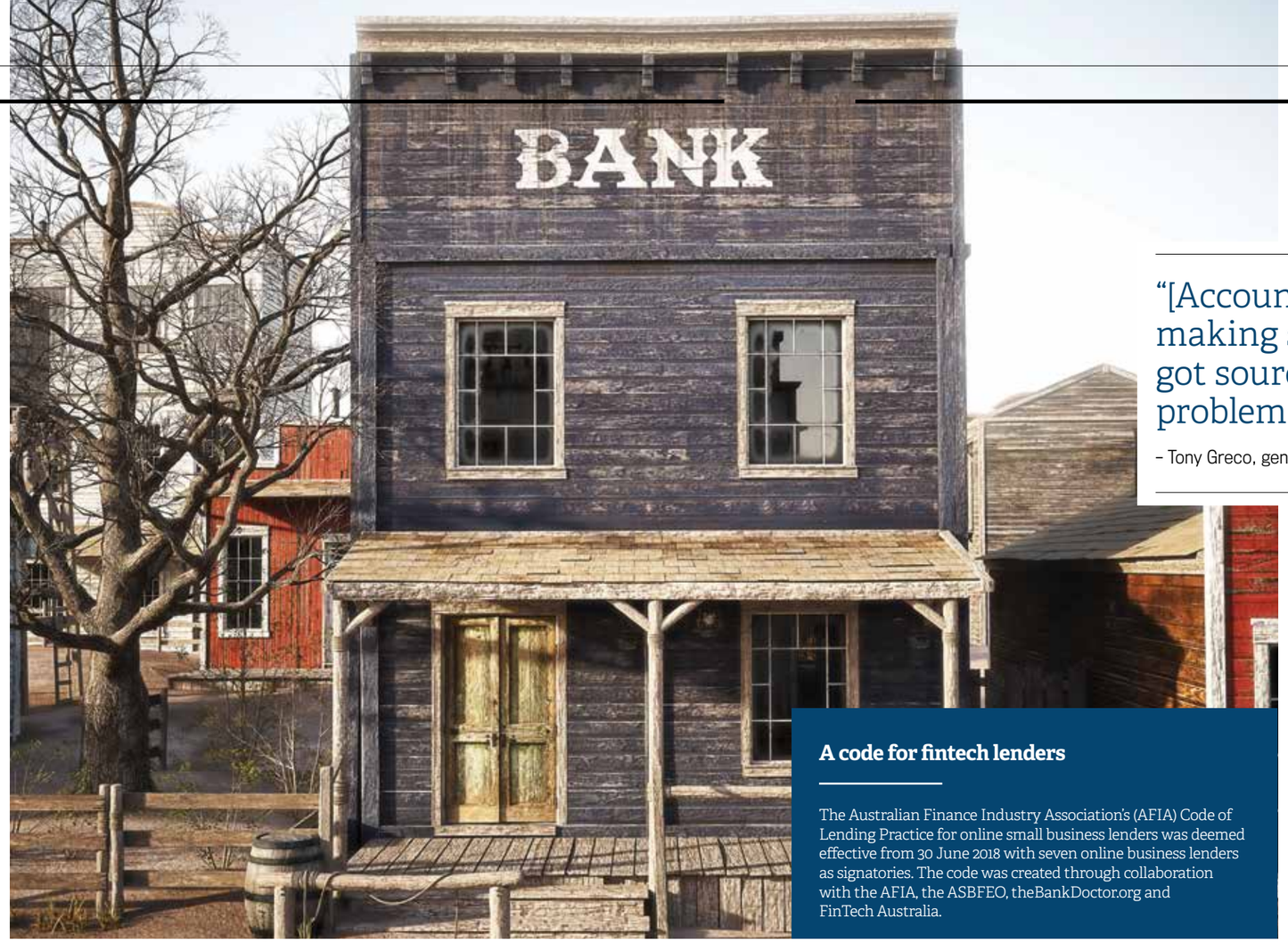
"It's a very valuable contribution to their wellbeing."

Fixing financing

Fixing FINANCING

Incoming challenger banks and government initiatives are expected to alleviate the hurdles in the SME lending space. But the success of this new era may depend on the accountants

by Staff writer



The lending landscape in Australia is in need of a major overhaul.

For several years now, small-to-medium-sized enterprises across the country have asserted how challenging it is to access finance. The major banks have been reluctant to fund SMEs without real estate as collateral. Even then, further financing is hard to come by.

But with a slew of alternative lenders emerging to fill this gap, the game for small businesses is starting to change.

Fintechs have been revolutionising the world of finances for over a decade, and small business lending is not an exception.

According to KPMG's third Asia Pacific Alternative Finance Industry Report, the Australian alternative finance industry has grown by 88 per cent against the previous year.

More precisely, the market has grown from 100 alternative lending companies in 2014 to over 580 in 2017, says Australian Small Business and Family Enterprise Ombudsman Kate Carnell.

One such lender, Prospa, has lent almost $920 million to more than 18,000 Australian business since 2013.

Additionally, in the reviewed period, it has contributed $3.65 billion to Australia's nominal GDP and resulted in more than 52,000 annual full-time positions being maintained.

Still, limited maximum loans continue to impact SME operations.

"We still lack patient capital," Ms Carnell adds. "There's a chunk of money that is looking for a quick turnaround. But for companies that are looking for longer-term finance, which is most, we still don't have as much of that sort of funding available."

But that's expected to finally change.

The government's recently-announced $2 billion securitisation fund is slated to bring down the cost of borrowing from alternative lenders while a string of challenger banks is poised to burst onto the financial services scene and take on the big four banks.

The rise of the fintech lenders

In the past, SME owners and operators searching for a loan in Australia could simply knock on the doors of one of the big four banks. But after the global financial crisis, which called into question the role of prudential regulatory bodies, the rules around lending began to change.

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The Australian Prudential Regulation Authority (APRA) became more active in its oversight of the financial system, and imposed capital requirements on the major banks. As a result, the banks have upped their lending standards to SMEs, making it tougher for them to get a loan.

"What [APRA] did was make second-tier banks significantly less competitive by making the cost of capital high. The APRA requirements made it significantly more profitable for banks to lend on property than to SMEs because the SME risk rating was higher," Ms Carnell says.

"So, what happened was money flowed into the property market and the money flowing into the SME market slowly reduced. And the money that did flow into the SME market was secured against property, based upon the cost of capital.

"The thing that frustrates us is that no modelling was ever done [for] what these APRA settings would do to SME lending. If you're an SME and you don't have significant – I mean significant – equity in bricks and mortar, in property, you're not going to get a loan. It's that simple."

This gap in the SME market is what gave birth to the rise of alternative lenders. Many of these newcomers are fintech companies that use technology to finance businesses and individuals. They offer short-term loans with quick turnarounds.

For example, Prospa offers loans of between $5,000-$250,000 with no asset security required for up to $100,000. Application takes just 10 minutes, businesses can receive same day approval, and funding is possible within 24 hours.

Prospa is one of seven fintech lenders that has achieved compliance with the Australian Finance Industry Association's (AFIA) Online Small Business Code of Lending Practice, which aims to set a higher level of transparency for small businesses seeking online secured and unsecured loans.

From January, the seven AFIA compliant fintechs are Capify, GetCapital, Lumi, Moula, OnDeck, Prospa and Spotcap.

While these lenders are already subject to regulation, including the *ASIC Act*, *Privacy Act*, and anti-money laundering laws, AFIA explains that the code will see the lenders comply with a standard above these requirements in potential areas of small business risk.

As part of the Code, the seven lenders who are signatories have introduced a pricing disclosure tool with a number of key metrics that helps small business owners clearly assess if a loan is right for their needs, how much it is going to cost, and if it is the best solution available to them.

"This is a form of disclosure that traditional lenders do not provide," Greg Moshal, joint CEO of Prospa, says.

Prospa's most recent economic impact assessment, which considered the value of funds lent by the fintech over the period 2013-2018, reveals that 26 per cent of its customers would not be in operation without their most recent loan and believe they would have been forced to close.

"The findings show that responsibly managed lending to small business, supported by smart technology and a great customer experience, is not just increasing revenue and supporting jobs for our customers, but is having an economy-wide impact," Mr Moshal notes.

The contribution of Prospa's lending to Australian GDP is in the billions of dollars, Mr Moshal explains. In fact, the fintech's research reveals that for every $1 million in lending by Prospa there is a corresponding $4 million increase in GDP.

However, Ms Carnell believes there is a catch.

She says that a chunk of these fintechs are still unregulated, and warns that the fintech terminology and the way they charge penalties can be confusing to SMEs.

"The great problem in the alternative lending space is the costs and penalties are

A code for fintech lenders

The Australian Finance Industry Association's (AFIA) Code of Lending Practice for online small business lenders was deemed effective from 30 June 2018 with seven online business lenders as signatories. The code was created through collaboration with the AFIA, the ASBFEO, theBankDoctor.org and FinTech Australia.

> "[Accountants] can play an active role in making sure that the small entity client has got sources of finances lined up before a problem happens"
>
> – Tony Greco, general manager of technical policy, IPA

> "There's a big difference between putting together an income tax return, where the focus is on tax minimisation, and putting together a plan for a bank to show that you can manage a major loan"
>
> – Kate Carnell, ASBFEO

→

often quite opaque. I think all accountants would know that it doesn't work the same way as banks, but it's not necessarily overly clear either," she says.

"You've got to really understand what you're getting into and what the costs are. But that doesn't mean it's bad," Ms Carnell admits.

Additional funding to smaller and non-bank lenders

But these problems in the alternative lending market may soon be resolved.

In November 2018, the government announced it has set up a $2 billion securitisation fund that will provide significant additional funding to smaller banks and non-bank lenders. This is intended to allow these groups to offer loans to small business on more competitive terms.

Mr Moshal believes the securitisation fund will boost credibility and trust in alternative lenders, with small businesses increasingly looking beyond traditional banks and lenders for finance.

The Institute of Public Accountants (IPA) has welcomed the government's initiative, having earlier advocated for the establishment of a loan guarantee scheme to help SMEs access financing.

"There is an urgent need for governments to revisit loan guarantee schemes for SMEs," the IPA said in its latest Small Business White Paper, reiterating its views from 2015.

In the first Small Business White Paper, the IPA provided theoretical and practical support to a government-backed loan scheme for SMEs, and highlighted various forms of equity-based finance for SMEs, including venture capital.

Finally, the entrance of challenger banks such as Judo Capital is expected to make it easier for SMEs to get access to loans over $100,000. Judo is following the model developed by SME challenger banks in the UK including Aldermore, Shawbrook Bank and OakNorth Bank.

But there remains one challenge. For SMEs to fully take advantage of the shifting lending space, they must engage with accountants. Ms Carnell says many SMEs lack the skills required to create strategic business plans for major loans, creating a huge opportunity for accountants.

"We've found that businesses on the whole are not finance-ready. Their capacity to put together a plan for a major loan is really low. There's a big difference between putting together an income tax return, where the focus is on tax minimisation, and putting together a plan for a bank to show that you can manage a major loan. And yet regularly, the income tax return is what they had put together," the Ombudsman says.

"Judo, who we've been having a bit to do with, has said that the thing they've found that they didn't expect in stepping into this market is how much time it took for them to get small businesses to get those documents together. Most banks won't spend that time.

"So, I think there's a huge role for accountants to work with small businesses to put together the pitch for a loan."

Becoming an expert

For those accountants ready to help their clients get alternative financing, knowledge is key.

According to the ASBFEO's *Borrowing from Fintech Lenders* report, there are two main business models for fintech lenders: balance sheet lending and marketplace, or peer-to-peer (P2P), lending.

The major difference between the two is how they source and provide the funds to borrowers. Balance sheet lenders source money from capital markets and investors, while P2P lenders match investors with borrowers via a platform.

One of the most common types of loan offered by fintech lenders is a fixed-term unsecured loan, which is an amount of credit provided to a borrower in full and the amount is repaid over a fixed term. Unsecured means the lender will not take security over the assets of the business, and can seek to wind up the business as an unsecured creditor if one fails to make repayments.

On the other hand, a secured business loan sees the lender take an interest over the assets in a business as security, and can take control of these assets if one fails to make repayments. Other lenders offer lines of credit while others offer invoice or debtor finance, which is an advance of cash from a lender with the right to collect on unpaid invoices.

Before borrowing, accountants and SMEs must first consider what the true cost of the loan will be. This includes understanding all the fees and interest rates and determining whether the lending has a reasonable return on investment.

But more than this, accountants can help SMEs run their businesses without ever needing to take out a loan, says IPA general manager for technical policy and public affairs Tony Greco.

"[Accountants] can play an active role in making sure that the small entity client has got sources of finance lined up before a problem happens," he says.

"There's nothing worse than having to fund finance in a hurry. Your options become quite restricted. So, having the enterprise well served by showing those sources and cash flow projections and then being able to know which of the intermediaries are best to deal with, those are the ways an accountant can service the client."

The original signatories to the AFIA Online Small Business Lenders Code of Lending Practice

- Capify
- GetCapital
- Lumi
- Moula
- OnDeck
- Prospa
- Spotcap

Financial advice

The financial advice mess: HOW WE CAN GET IT RIGHT

The removal of the accountants' exemption has not improved advice outcomes for Australians, and it's time for a new and improved licensing option to keep accountants meaningfully in the advice picture

by Staff writer

Financial advice

It's no secret that 2018 was a challenging year for the financial advice sector. The banking royal commission unearthed several instances of misconduct that took place at the large financial institutions, with conflicted pay to financial advisers cited as one of the main drivers behind the wrongdoings.

The issues emerged despite the government having introduced laws intended to avoid them. Conflicted remuneration was thought to have been stamped out when the Future of Financial Advice (FOFA) reforms came into effect in 2013. With the effectiveness of FOFA now being questioned, another section of the law has come under scrutiny, and that is the removal of the accountants' exemption.

The exemption once granted accountants the ability to provide basic advice to their clients, including in relation to self-managed superannuation funds. However, this carve-out was removed when FOFA came into play, and a new limited licensing option was established for those accountants wishing to still provide that advice.

But this option has been deemed "unworkable" by accountants, with the majority opting to stop providing SMSF advice entirely. Their concern? They cannot operate under the regime and give effective, appropriate advice to their clients. The regulatory environment is such that an accountant can't, for example, discuss the entirety of a client's superannuation portfolio when recommending changes, which could work to the detriment of their finances more broadly.

Institute of Public Accountants chief executive Andrew Conway believes it is time the government took another look at the reforms and recognised the accountant's position, so clients are ultimately better served.

"When we look at what's happening in the broader financial services sector, there's been countless examples given the evidence about the failure of large institutions and the provision of financial advice," Mr Conway says.

"We believe that what it has created is this sense that advisers have left the space. Accountants are hamstrung in the advice they can provide to their clients and, ultimately, Australians are not getting access to affordable financial advice. We think it's appropriate to be considering an advice model provided by accountants and making modifications to the licensing regime for qualified accountants."

Read this article online at pubacct.org.au

However, the IPA is not necessarily asking the government to go back in time. Instead, the professional body is proposing a brand-new option for qualified accountants – one that would allow them to provide advice to their clients without having to meet the extreme requirements and high fees of an AFSL.

"From our point of view, the solution, as we see it, is not necessarily to return to the accountants' exemption. We want to look ahead. We recognise the unique positions that qualified accountants have," Mr Conway says.

"Do accountants need to hold and pay annual licence fees when they're seeking permission to have conversations they have always had and have the qualifications to actually have?

"We're being told by a number of stakeholders that, 'Oh, it'll be too hard to do. You won't achieve it'. I've never been afraid of something just because it's too hard."

> "We went around the country and spoke to members directly about this issue. I've never had such a strong response from members on any issue than I've had with this"
>
> – Andrew Conway, CEO, Institute of Public Accountants

The profession versus the government: How we got here

Once upon a time, accountants could give basic advice in relation to SMSFs.

Under the reforms from the early 2000s that created the financial services licensing regime, a carve-out was put in place for those accountants who help their clients establish SMSFs. When the federal government decided to create FOFA, a recommendation for the removal of the exemption came with it.

"We, at the time as a profession, lobbied heavily to keep the accountants' exemption in place. We weren't convinced at all that there was a systemic failure. There were certainly issues in relation to a small number of advisers providing advice around speculative managed investment schemes, but there was never a suggestion that there was a systemic market failure in relation to the provision of advice by accountants in relation to self-managed superannuation funds," Mr Conway says.

"The profession lost the argument. The advice given to us by the government of the day was that they weren't going to entertain a review of their decision."

According to Tony Greco, IPA's general manager for technical policy, the argument against the accountants' exemption at the time revolved around the idea that an SMSF is considered a financial product, and not a structure. Delivering advice on an SMSF is therefore considered financial advice.

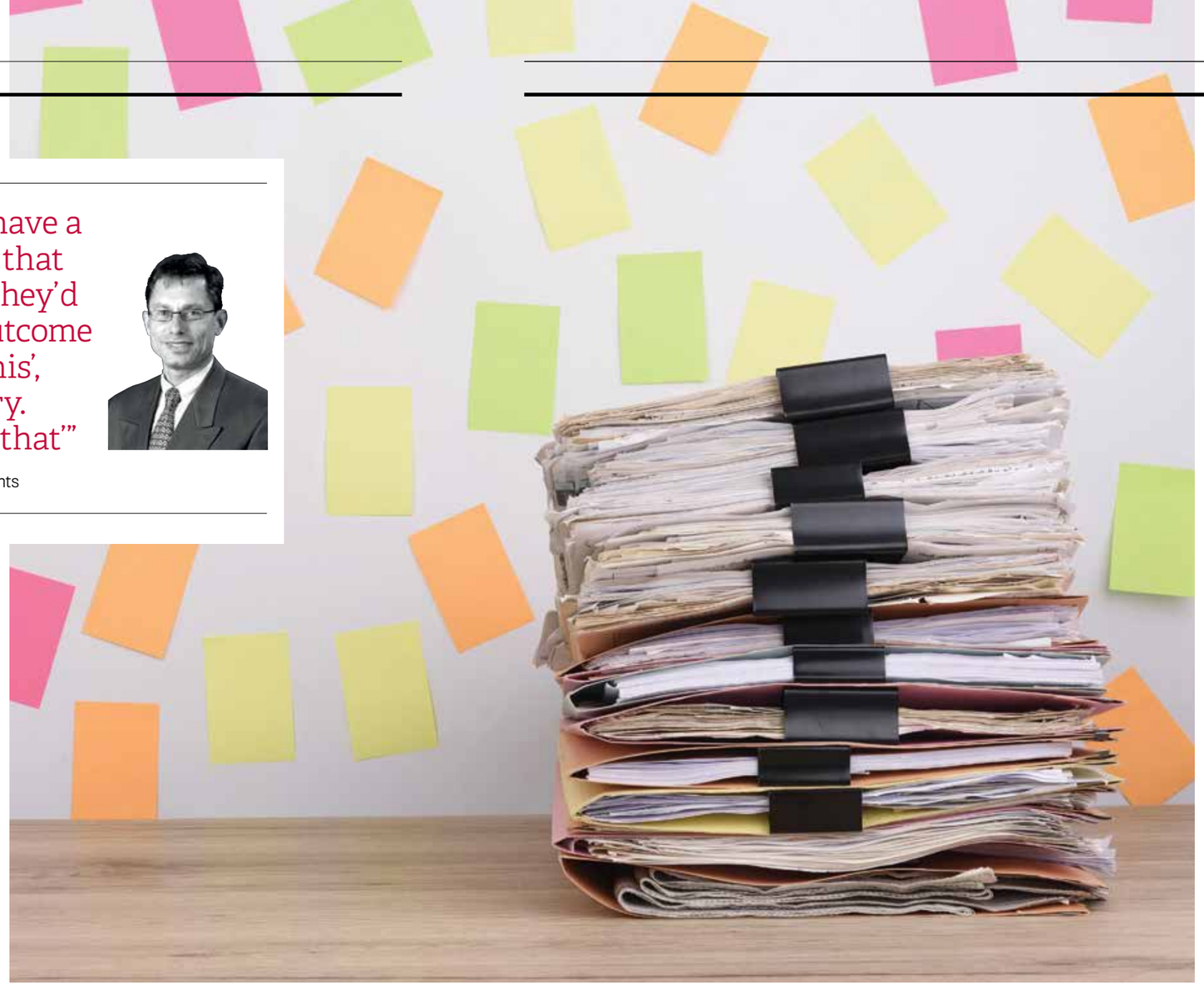
"The decision to set up a self-managed super fund comes with a lot of obligations. The government wants to ensure that those who set up a retirement fund for themselves understand the ins and outs," he says.

"We've always argued that it's just a structure. But once you've got the money in that structure, you need to then empower the trustee to be able to make decisions."

With the removal of the exemption came the introduction of a limited AFSL, which allowed holders to provided limited kinds of financial services. Accountants choose to apply for their own limited AFSL or become a representative of a limited AFS licensee. However, the majority of accountants have found these options too costly and have dropped this service altogether.

"Accountants find it quite difficult to have a conversation about a lot of the things that clients walk in to talk about because they'd be in breach of the law. It's quite an outcome that the client will say, 'I want to do this', and the accountant's response is: 'Sorry. That's financial advice. I can't answer that'"

– Tony Greco, general manager for technical policy, Institute of Public Accountants



"Accountants are really being asked to do almost the same level of study and the same level of licence that a full licensee would be required to hold. There's very little difference between the limited licence and the full licence. What's actually transpired is that the majority of accountants have not transitioned to the limited licence model," Mr Conway says.

"Our biggest concern from the public interest point of view is that accountants have effectively left the space and are not providing the advice they once were. It's an absurd situation, leading to this perverse relationship where the client is not getting the full suite of the accountant's expertise."

A hit on engagement

According to Mr Conway, the removal of the accountants' exemption has had a huge impact on client engagement. Members have shared with the IPA their frustrations with not being able to have full conversations with their clients, which has been one of the biggest challenges for them.

"We went around the country and spoke to members directly about this issue. I've never had such a strong response from members on any issue than I've had with this," Mr Conway says.

"Members have said it is absolute nonsense. We've sought from members real examples. In one extreme case, a client came for their tax return and one of the items throughout the tax return was financial advice that they've been given by an adviser. The statement of advice said two things: have a superannuation fund and make regular contributions. The fee for that advice was $10,000.

"You look at that and ask, 'Why are people feeling like they're forced in this advice model when they were once getting that advice as part of their standard engagement with their accountant?' Members are saying they've lost the ability to have full conversations with clients."

That challenge is already having an impact on the business side. Mr Greco says some clients would expect a full service from their accountant. The removal of that may have led to lost clients.

"Accountants find it quite difficult to have a conversation about a lot of the things that clients walk in to talk about because they'd be in breach of the law. It's quite an outcome that the client will say, 'I want to do this', and the accountant's response is: 'Sorry. That's financial advice. I can't answer that'," he says.

"Not being able to be serviced in that regard is obviously a negative for client relationships. Some may have lost clients because they haven't been able to provide that full level of service."

Mr Greco adds that most clients don't understand what is considered financial advice. He says with an accountant present in the lives of most Australians, they are best placed to provide some sort of advice.

"Accountants have a role to play. They can make advice more affordable, if that's one of the key objectives. If you think about it, 96 per cent of businesses go to a tax agent and 70 per cent of individuals go to a tax agent. So, there's already a presence," he says.

Fighting for change

Making advice more accessible is exactly what the IPA is working towards. It has been extensively advocating its revised model to government and will continue to do so, in the best interests of Australian consumers.

The term 'qualified accountant' would be defined using the *Corporations Act* definition: those accountants who belong to one of the three professional bodies and comply with their requirements.

"We think that it's important to recognise the training and education base. And, by all means, we acknowledge the need to have to undertake a specific course of education in relation to self-managed superannuation funds and the provision of advice," Mr Conway says.

"We would argue as well an annual training update specifically in relation to ethics. I think it's important to show and demonstrate confidence to the market around the awareness of those issues. This is in addition to being bound by the range of professional and ethical standards we hold members accountable to.

"We think those mechanisms are sufficient to protect the consumer interest and importantly make sure that Australians continue to have access to affordable financial advice, relevant to their needs."

As part of this initiative, Mr Conway says the IPA is engaging heavily with members to get first-hand examples and accounts of what is actually happening in practices. This is to build the evidence case.

The IPA is also engaging with the other professional accounting bodies to develop an appropriate model. The government has already heard an outline of this proposed model.

"We acknowledge that we need to always, from a professional body point of view, look for opportunities to raise the bar. And in doing so, we're presenting what we believe to be a solution," says Mr Conway.

"No doubt, these sorts of recommendations have their critics. With an ageing population, it's in Australia's best interest to have affordable and more open access to financial advice."

Conquering FEARS

'Young Accountant of the Year' winner Ru Lim explains how her grandmother inspired her to overcome her doubts and chase her dreams

by Linda Santacruz

Too young. Not good enough. Those were the words that rang inside of Ru Lim's head as she tried to decide whether to start her own accounting practice at the tender age of 26.

Ms Lim already had a lot of experience. She had always dreamt of starting her own business. And yet when the opportunity had finally emerged, Ms Lim couldn't help but feel nervous.

"I always knew that I wanted to do something on my own, because my dad runs his own business as well and I sort of grew up in that environment. At the end of 2015, one of my family friends here in Adelaide, who runs a mortgage broking firm, approached me and asked, 'Do you want to start running your own business?'" she says.

"It was nerve-wracking because I wasn't sure if I was good enough to do it. There wasn't a lot of people around that started an accounting firm at the age of 26. So, I knew that my experience wasn't as good as a lot of people out there, but I also knew that opportunities like that don't come around very often."

So, she went for it. In January 2016, Ms Lim established Rise High Accounting Solutions in Adelaide as the accounting branch of the mortgage broking firm Rise High Financial Solutions. Since then, she has grown professionally, even winning 'Young Accountant of the Year' at this year's Australian Accounting Awards, hosted by Accountants Daily.

Ms Lim says the award was a wonderful surprise, although she could not attend the event. Her grandmother had passed away the week before, the very woman who inspired Ms Lim to be brave.

"She was really a role model for me growing up. She was quite an independent figure, a strong female figure. Doing what I need to do, not being dependent on other people – those are the things she taught me when I was younger," Ms Lim says.

"In our culture, it's easier to just get one job and be in it for the rest of your life because it's stable. But when my grandma knew I was starting on my own, she was very proud of me and she knew that I could do it. That made me believe that I could it."

Investing in education

As it turns out, Ms Lim really can do it.

While she initially wanted to study

health science at her university, Ms Lim decided to go into accounting because she loved the practicality of the field.

"You need that skill everywhere. When people come to you and ask you about specific questions that only you know, and you can help that person get that answer, it's pretty satisfying," she says.

Ms Lim's first role was as an accounting assistant for a small firm. And because it was so small, Ms Lim found herself doing many jobs, from compliance and tax returns to bookkeeping and administration. It was in this role that she realised she wanted to branch out on her own.

Now that she has, Ms Lim has seen her accounting practice grow successfully over the years, thanks in large part to the referrals that come from the mortgage broking side of the business.

"Any broker that has clients who are confused about the laws around property investing, those are my referrals. Compared to all the other accounting start-ups out there, I probably have got it a little easier," she says.

"From the beginning, the leads were coming from there, but now it's getting to a stage where my clients are referring their friends and family to me."

In addition, Ms Lim says social media plays a big role in growing a business because "reputation is important in this industry". Further, she strives to stay on the front foot of technology and innovation and invests time attending educational events around the country.

"I do spend a lot of time upgrading my knowledge by going to conferences and seminars to make sure that I'm in the loop with everything that's happening in the industry," she says.

"Earlier this year, I was at a Sydney business expo and I think

> "When people come to you and ask you about specific questions that only you know, and you can help that person get that answer, it's pretty satisfying"

that was one of the best things I've done for the business because there were so many exhibitors in Sydney that are pretty much accounting-specific."

These exhibitors included software providers for accounting, lodging and security protection, Ms Lim says. Moreover, Ms Lim has decided her business would run nearly totally paperless.

"I actually do not have any paperwork in the office. I don't have a filing cabinet at all, we run everything electronically. The way I send files to my clients to get signed is through electronic signature," she says. "Little things like that help us make sure that things are done smoothly."

A healthy work environment

Beyond this, Ms Lim credits her work environment for her growth. She says all of her colleagues are helpful people who contribute to a good vibe in the office.

"If I've got a question, it doesn't matter if it's the principal or administration, everyone is willing to help you. Everyone is treated equal, and we're all happy to help each other out," she says.

"Everyone's there with a good spirit in the office every day. I don't think there was ever a gloomy day. It helps when you go into the office and have such an environment. It helps just having good people around you all the time."

This company culture has also helped to attract many good clients, who have become like family, Ms Lim says.

"I reckon the same type of people attracts the same type of people. The vibe we give out as an office, we attract the same kind of people to become our clients, as well," she says.

"Our clients are very good to us. They're pretty much our family. Everyone's got difficult clients, but the majority of them, I can talk to like my friends and family."

When it comes to future goals for the business, Ms Lim says she hopes to stay small.

"My target market is the small businesses and property investors in Australia. I believe that we, especially in Adelaide, are run by small businesses. I really enjoy helping the small businesses achieve what they want to achieve," she says.

"So, I don't see ourselves going big in terms of big firms. We do want to focus on still helping the small businesses around Australia."

As for her team, Ms Lim hopes to one day see her practice become self-sufficient.

"In terms of where I see myself in the next five to 10 years, I want to be able to run a firm that sort of runs itself. So, having enough staff to help me so that I can go away and do the things I love doing. At the end of the day, our goal of helping everyday people doesn't change," she says.

"We still want to help people achieve their financial goals, their retirement goals."

Discovering ACCOUNTING

Frank Maisano explains how he was able to merge his love for both accounting and academia, and embark on the research journey of an understudied field

by Staff writer

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There's something special about the accounting world that has always intrigued Frank Maisano. It's a factor so fascinating that it led him to pursue a full-time education in accounting, even while his days were busy enough running his own small business.

"What drew me to accounting was the profession as a whole and the influence it has on the world. Accounting and the profession of accounting has a say in everything around the world, financial or otherwise," Mr Maisano says.

"It always intrigued me in regard to that. I decided that I wanted to pursue a career around accounting in some way, shape or form."

But after graduating with his degree, Mr Maisano had another realisation: a love for academia.

It has seen him return to university to earn an honours degree, and later pursue a PhD in accounting, which Mr Maisano expects to complete in the coming months. Today, he also works as a lecturer at RMIT University, where he teaches students hoping to work as accountants.

While most graduate accountants dream of starting their own practices, Mr Maisano had other dreams.

"I did own my own business for 10 years. While owning an [accounting] practice is not exactly the same as owning a business that's not tied to a profession, I was ready for something different," he says.

"After my accounting degree, I did work for a couple of years in a small accounting firm. But while I definitely enjoyed the work, academia has always been something that I excelled at. I wanted to combine my interest for accounting and academia, so I pursued a PhD.

"I get to work with my research. I get to work with professional accountants. I get to teach upcoming accounting professionals, which I enjoy immensely. It just all works. It's extremely satisfying for me."

A focus on small practice

While Mr Maisano didn't start his own small practice, he does spend his days studying them.

"I get to work with my research. I get to work with professional accountants. I get to teach upcoming accounting professionals, which I enjoy immensely. It just all works. It's extremely satisfying for me."

He has dedicated his research to understanding the small practice accountant better, which he believes is understudied despite making up the majority of the accounting industry in Australia.

"In academia, in regard to the accounting profession, the large majority of research is done on large companies, the large accounting firms, the big four. They're done on financial statements, analysing regression statistics. And that's all important, obviously," he says.

"But very little is done, in comparison, on the small practice accountant. In Australia, and in probably many other countries, the predominant accountant is a small practice accountant. But very little is done in regard to research on how they charge their services, what's their day-to-day working life like, what sort of challenges they have. Your psyche, your mentality is different to a corporate accountant. So, I'm trying to research it and get an understanding out there in academic literature."

Mr Maisano says one of the most interesting findings to come from his research is how pre-conceived notions about small practice accountants' identities are no longer relevant. He says prior literature states that to perform at the highest ethical standard, accountants must have a high professional identity.

"You need to identify with a profession higher than your practice and your clients because if you identify too closely with your clients, you could have an ethical problem. You might feel pressured by your clients and do things you're not supposed to do," Mr Maisano says.

"Whereas, I have found in my research that the small practice accountant has a low professional identity, but it does not impede on their professionalism. They have a low professional identity due to factors in regard to how they enter the profession. They have a high client identity because that's the nature of a small business. But it doesn't impede on their professionalism.

"Their professionalism and how they conduct their services are still of the highest standard. I think that's a really big finding because it goes against what's been said in prior literature."

Mr Maisano recently won the Institute of Public Accountants-Deakin University SEAANZ PhD Competition. The award was presented by the IPA-Deakin SME Research Centre, which conducts multidisciplinary research on small and medium sized private businesses and not-for-profit enterprises. The centre focuses on bringing together practitioner insights with world-class research as well as provide informed comment for substantive policy development.

Mr Maisano says working closely with the IPA has enabled him to effectively conduct his research.

"I've got a good relationship with the IPA. Their members are predominantly small practice," he says.

Adapting to change

When it comes to change and innovation in the accounting profession, Mr Maisano has had to adapt. He says the methods for teaching continue to change as the profession morphs, and professional bodies such as the IPA are helpful in determining how to tailor the accounting courses.

"Our methods for teaching have vastly changed, even in my relatively short academic career. I've been in academia now for five years. Even in that time, there have been pretty big changes in the way we deliver content to the students and the way we assess students," Mr Maisano says.

"Now, we're more fluid in our assessments and our assessments are more practical to align the expectations of students when they move into the workforce. No longer do we do the old-fashioned types of tests and assessments. Now, we're more dynamic in regard to delivery of content using technology. A lot of the professional bodies, such as IPA, we ask what they need from graduates. So, we're tailoring our courses to that."

As for the future, Mr Maisano hopes to expand his research after completing his PhD. He plans to continue on this merged path of academia and accounting, and continue delving into the world of the small practice accountant. He also plans to stay ahead of change and innovation through teaching.

"In the next five to 10 years, I would like to continue on the path that I'm on at the moment. I'm thoroughly enjoying it. I want to push the envelope in regard to research and understanding the small practice accountant," he says.

"That's my main goal, to continue on the innovation curve in regard to accounting and linking that to teaching and the coursework for students. Research is the key thing for me to become an expert and to have a nice theoretical footprint of the understanding of the small practice accountant."

> "I have found in my research that the small practice accountant has a low professional identity, but it does not impede on their professionalism"

Business building

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

E-invoicing: What does it mean for accountants?

For many small businesses, e-invoicing is the next area of disruption, and many bookkeepers and accountants will be affected within six months. What is it, who is using it now, what is the government doing and how will you be affected?

by Robin Sands

Robin Sands,
chief executive, Link4

E-invoicing stands for electronic invoice delivery. The word itself is currently evolving. Just as electronic mail went to e-mail and was shortened to email, e-invoicing is being written with and without a dash. Both versions are currently acceptable, and you will see those in the southern hemisphere dropping the dash faster than those in the north.

But does e-invoicing mean an invoice is delivered through an electronic device like a fax machine or email server? Sadly, businesses do use the term to refer to those things, but true e-invoicing is designed to benefit both sides of the transaction at the same time. An invoice should be delivered from the point of creation to the final destination in a seamless transaction and in real time.

Let's use a wine maker as an example. A family run business that uses MYOB AccountRight as their cloud accounting system. On Wednesday morning, they send wine out to 20 different restaurants and bars. Later in the morning, the winemaker creates the invoices for the stock. He clicks 'record' in the accounting system and the invoice is sent directly into his customer cloud accounting system. Five of the restaurants use Xero, and the invoice appears instantly in the 'Draft' folder of Xero. Others use QuickBooks, Reckon, Sage or others and the invoices are delivered directly to them.

A couple of the venues don't use cloud systems, and so the invoice is delivered as a PDF via email to meet their needs. This means all of the invoices the winemaker created are delivered on Wednesday morning, and some may even be paid by Wednesday afternoon. This is true e-invoicing, with both sides benefiting at the same time.

While the invoice is sent electronically, the PDF of the invoice can also be attached to the record. But the PDF doesn't have to be there. Many people think of an invoice as a document. Reality is, the document just holds the information. It can be an effective way to transmit the details, but the document itself isn't required.

Trans-Tasman co-operation

In October last year, the Australian and New Zealand governments partnered to release a consultation paper investigating how e-invoicing arrangements can be best managed in both countries.

The paper sought public views on how to best establish an independent, fair and equitable governance structure for the day-to-day operation of e-invoicing in both Australia and New Zealand. It also noted that operational governance will include the ongoing management of the Trans-Tasman e-Invoicing Interoperability Framework, as well as work to continue to drive adoption of e-invoicing.

The Australian Small Business and Family Enterprise Ombudsman, Kate Carnell, supported the release of the consultation, saying it makes small businesses more productive by streamlining payments and improving cash flow.

"Around 1.2 billion invoices are exchanged in Australia every year; the potential benefit to the Australian economy in switching to e-invoicing is $28 billion over 10 years," Ms Carnell said.

"The benefits of e-invoicing are significant for small businesses – it means quicker payments and reduced administration costs. Research shows it costs $30.87 to process a paper invoice, $27.97 per PDF invoice and only $9.18 per e-invoice; a significant saving."

Further, Ms Carnell said that e-invoicing helps to eliminate processing errors as your core business details are stored online and can include a direct link to your bank account for payments.

"Research reports around 20 per cent of invoices today are sent to the wrong person and 30 per cent contain incorrect information – delaying payment," she said.

"E-invoicing also reduces the time from creating an invoice to getting paid as the sending and payment is automatic, which increases business productivity.

"We will continue to advocate digitalisation, and its many applications, so small businesses can realise the benefits of participating competitively in the digital economy."

An evolution in invoicing

Let's put that into an example that you may be able to relate to better.

When I was a teenager, we used to go to the video store Friday night and hire a movie to watch. But some years later a new service was available where the movie was delivered on a DVD to my letterbox. BigPond, Quickflix and a few others provided this service. How convenient – you no longer needed to go to the shop, the movie was delivered direct to the letterbox.

But how many people go to their letterbox to get a movie these days? None. Why not? We have something better. Streaming. Services like Netflix now allow you to watch a movie from the comfort of your lounge room. So, you can decide to watch *Bridget Jones's Diary* on a Friday night, you can select it, start streaming it and watch the movie right where you want to. It's instant and much more convenient.

But note, you do not need a physical copy of the movie to watch it. You just need the data. It streams to your device and you get your movie.

This is the same with an invoice. We used to rely on the physical version. Then we had them emailed to us. And now we can have them streamed. Much more convenient.

But don't we need to keep a physical document for five-plus years to meet the Australian Taxation Office regulations? No. An e-invoice meets all the requirements. You don't even need the PDF version.

Their official stance is: "A tax invoice does not need to be issued in paper form. You can issue a tax invoice to a customer by means of e-invoice. This is not limited to, for example, issuing a tax invoice in a PDF format. What is important is that the electronic record transmitted to the customer contains all of the information required for a tax invoice and is readily accessible and easily convertible to English."

This means invoices can be created and delivered direct to a business in real time, and we don't need to store boxes of tax records for years.

How to use technology to attract top tier talent

Millennials now make up the largest single generation. They are the future of the accounting industry, both as clients and as talent. Is your firm ready to attract the team you'll need to power your future?

by Molly Gunion

Molly Gunion,
content marketing executive,
Receipt Bank

So, who counts as a Millennial? According to Pew, Millennials are born between 1981 and 1996, and range in age from 22 to 37 in 2018. More importantly though, these individuals are digital natives who grew up in the age of information.

Millennials have been in the workforce now for 15 years. They make up the largest part of the current workforce, and have the power to transform the landscape by standing up for what they want. While research from IBM's Institute for Business shows that their workplace needs are no different from their Gen X and Baby Boomer colleagues, they face several stereotypes. If you believe them, Millennials are either lazy and entitled or eternal optimists on a mission to save the world.

So, what's the reality?

According to a 2018 Deloitte report, the truth is much simpler. Millennials are tech-savvy and eager to contribute meaningfully in the workplace. As the generation that's grown up in the age of information, they are used to having unlimited information at their fingertips. This translates to the ability to work remotely, find answers quickly and efficiently, plus flourish in an environment where they are responsible for their work.

Here's how you can adapt your accounting services for a Millennial audience.

What do Millennials want in the workplace?

According to Deloitte's seventh annual Millennial Survey, the ability to attract and retain Millennial talent is shaped by workplace culture, specifically flexibility and purpose. In fact, 50 per cent of participants identified flexibility as "very important" when choosing where to work. This report also highlights that trust translates to increased employee loyalty.

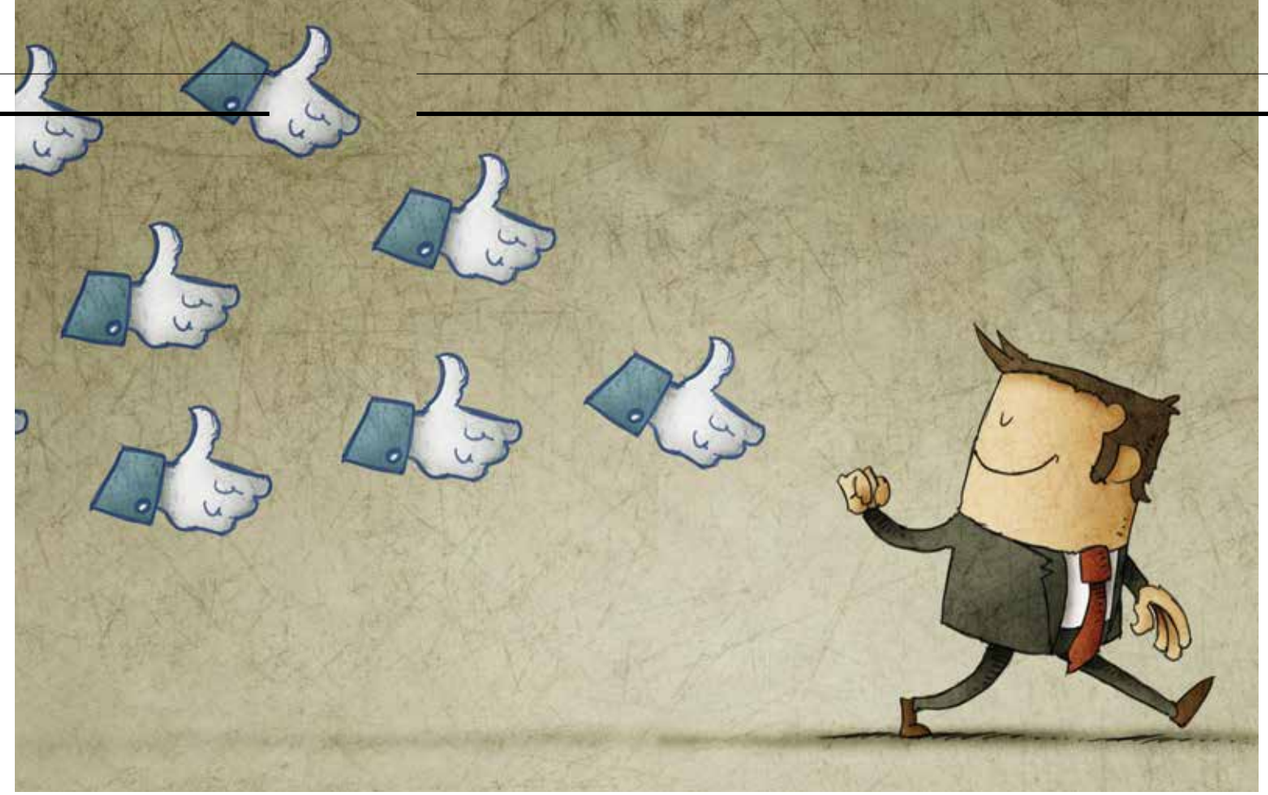
Having a "purpose culture" means Millennials can see the impact of their work, whether on the firm or clients. Trusting them to develop client relationships and equipping them with the training, resources and tools they need to do so is crucial.

If you are looking to hire someone to drive all over town to collect shoeboxes from clients and then sort, organise and enter all of the data manually, chances are Millennials are simply not interested. This is where technology can do the heavy lifting for them, and for you.

Prepare for the future of your firm

To meet the needs of Millennials, you need to establish flexibility and this sense of purpose. Technology goes hand-in-hand with both of these values.

Prioritise integrated technology systems within your practice. Consider using 100 per cent cloud software, from communication tools like Slack to Google Calendar and Google Drive to sync projects and calendars.



Three ways to use technology to attract (and retain) top tier Millennial talent

1. Eliminate geographic restrictions
Physical boundaries in accounting are receding. Many of our partner firms are now breaking down geographic barriers and offering remote working options for their team. This gives them, and you, access to a larger pool of talent when it comes to hiring. In order to continue to work cohesively and effectively as a team, look into ways you can implement technologies to enable your team to work from anywhere.

2. Emphasise productivity
Instead of tracking hours worked, or employee inputs, monitor your team's outputs. This is a very compelling perk to candidates from the Millennial generation who have a strong desire to be trusted in the workplace. Essentially, they can work as little or as much as they need to, as long as they complete the job. Trust and empowerment can transform not only productivity, but also accountability for projects and client relationships.

3. Establish a firm for the future
Technology plays a major role in helping accountants and bookkeepers take their firm to the next level in today's ever-evolving society. Are your favorite clients the ones who you have to chase for paper receipts and invoices? Probably not. But those that run a digital back office make your job so much easier and allow you to provide services around interpreting the data, instead of collecting it.

These enable your team to do their job from just about anywhere, as long as they have a laptop and Wi-Fi connection.

The world around us is changing daily thanks to technology. There's no longer time in the day for manual data entry, when other firms down the street are using those hours to add further value.

So, let's take this further. If your firm embraces change and technology, evaluate the way your team works. Do you openly encourage flexible working arrangements, or expect your team to clock in at 8am on the dot every morning?

By emphasising technology, you are not only better positioned to successfully attract Millennial talent, but also improve employee retention due to the feeling that their needs are being met.

Here's how you can use technology to attract (and retain) top tier talent from the Millennial generation.

From working with 35,000 accountants and bookkeepers globally, we can see that technology such as Receipt Bank allows firm owners to emphasise productivity within their teams. Give your team the tools needed to complete their work accurately and efficiently, so you can stop tracking inputs and instead hold them accountable for the quality of their outputs.

Because we are in the age of information, clients expect to have answers and access to financial data on demand. That same preference holds true to the next generation of talent. Generally speaking, Millennials are not interested in chasing paper documents from clients or keying in data to a spreadsheet. Instead, they see value in having access to that data on demand so that they can focus on the more challenging and interesting areas of accounting.

Dené Paquin and his team at Canadian firm Enkel emphasise the importance of integrated technology within the practice because management recognises that "no one wants to do the bookkeeping process. It's a lot of data entry and mundane work that's often unnecessary". They know that Millennials seek meaningful work. For them, the solution to meeting the needs of their next generation of talent was implementing Receipt Bank.

"When bookkeeping becomes more than repetition, but instead a service helping businesses make better decisions, it becomes much more appealing and engaging. That definitely helps with recruiting for the future," said Mr Paquin.

The power to attract top tier talent is at your fingertips. Are you ready to take the digital dive and emphasise technology within your firm? With a commitment to technology and an innovative mindset, you can seal the deal on attracting Millennial talent, and invest in your firm's future success.

Business building

Retirement training: A new paradigm

Sound financial wellness and life skills training in the workplace could offer employees a softer landing after retirement

by Darren Smith

Darren Smith,
managing director, Financial Advice Matters Group

Employers who are serious about their employees' financial and mental wellbeing after retirement should invest in parachute training. Not literally, of course. Figuratively.

Think about it – having financial security and a sense of purpose when you retire is like jumping out of a plane; you are secure in the knowledge that your parachute is in perfect working order, that the back-up chute is ready for deployment, that a ground crew is ready should you twist your ankle during the landing, and that a crowd of mates holding ice-cold beers are waiting in the cozy airport lounge to toast your bold efforts.

Employers who are serious about preparing employees for the 'great transition' should focus their training efforts not just on financial wellness but also on broader lifestyle choices.

Financial wellness training

Financial wellness training, in simple terms, is about helping individuals adopt behaviours that move them towards greater financial security. Sadly, many employees fail to achieve financial security before retirement and are left out to dry on the tarmac once they leave the company. There is significant work to be done in the field of financial wellness education and much value to be unlocked. The people who are impacted need to know that they are not alone.

Many employers are starting to understand that financial wellness training should not be left too late. Progressive organisations are integrating financial wellness education into workplaces long before employees retire. Employees should already be considering their approach to transition five to 10 years before retirement. Among other considerations, they should be thinking about issues such as health and housing.

Financial stress at home and concerns about possible shortfalls after retirement can have a negative impact on employee productivity. Therefore, employers who proactively train employees to handle financial matters and who guide employees towards financial security are not just empowering their employees, they are making an investment in greater productivity and workplace harmony.

Progressive organisations understand the strong connection between mental health and wellness and the stressors associated with managing financial affairs on a daily basis. Companies that invest in the broader financial wellness of their staff are building safer and more vibrant workplaces. I have no doubt that financial wellness education is the next frontier for professional coaches who wish to provide valuable services to the broader community.

Transition training

According to Challenger Australia, about 700 Australians reach the retirement age of 65 every day. Unless employers and employees work together, many of those who walk out of the door will be ill-prepared for the transition psychologically. Finding a new rhythm and new purpose in life can take several years.

For decades, employees' lives revolve around the workplace and relationships with colleagues. When retirement arrives, and they have to leave the plane, the landing is often hard and the pain inflicted by that landing persists.

While there are early signs of new approaches to retirement training, much of the existing support still focuses primarily on superannuation. Programs do not empower employees sufficiently to make broader lifestyle planning choices. Many employees lack the necessary skills and knowledge to make optimal choices.

Life coaches and advisers can equip employees with these skills or at least empower them to develop the necessary skills for life after retirement. Training during the transition phase should focus on individuals: who they are and what their priorities are rather than on how old they are and what they have or don't have.

Changing retirement paradigms

Fundamental to the retirement discussion is the growing realisation that the nature of retirement and what it means to society and individuals is changing. This is very evident in the programs and workshops that we have in place with a number of organisations.

In reality, retirement has now become just another life stage, not the end of people's active lives. It is a time during which people reassess and reflect on what is important to them and refocus their efforts.

Employers and member-based organisations have a fantastic opportunity to assist employees before, during and after retirement. They can play a valuable role in helping individuals set goals, manage finances and find meaning during the next leg of the journey.

We need to acknowledge that many of these support mechanisms or education programs have been lacking in the past. Of course, some employees prefer a DIY approach. However, many can benefit substantially from the assistance of a specialist third party to help them recognise blind spots and guide them to a better understanding of their goals and desired destination. An ageing workforce offers challenges and opportunities.

An ageing workforce is calling for new approaches. In the US, the fastest growing employment sector is the 70+ group. China plans to have one university for the elderly in every county by 2020.

Employers need to think innovatively about creating tailor-made, holistic programs that consider the specific needs of this group.

There lies real opportunity in tapping into the experience and life skills of retired people; 700 potential mentors are walking out of the door each day and many want to continue participating in the workplace, albeit on their own terms and in an environment that allows them to pursue other interests as well.

Harnessing the potential of these experienced employees can benefit business. The daily departure of some 700 highly skilled, experienced mentors from the workplace leaves employers with a vacuum that is hard to fill. Innovative hybrid approaches that allow employees to work part-time or offer consultation services to the business for a fixed number of hours per week can benefit both employer and employee.

Sound financial wellness and life skills training in the workplace sets people free. It allows them to feel the exhilaration of jumping from the plane without experiencing the fear of falling. And companies that prepare their employees for that momentous jump have a lot to gain.

Adam Zuchetti,
editor, My Business,
Momentum Media

How can SMEs realistically stay competitive?

The corporate world has demonstrated its ability and willingness to use size to get what it wants. How exactly can smaller businesses compete without the same financial resources?

by Adam Zuchetti

We saw instances emerge from the banking royal commission of a major bank being allowed to dictate the size of penalties it paid for misconduct and to draft or approve the corresponding announcements issued by regulators.

We have seen large companies offer staff additional rewards to attract and retain talent – Woolworths is reportedly offering its employees superannuation on parental leave; others are offering additional paid parental leave or unlimited annual leave. The public sector often provides flexi-days and nine-day working fortnights.

But the landscape is infinitely different for SMEs. They are handed financial penalties for wrongdoing and ordered to pay them in full or face even tougher sanctions. And many smaller businesses are struggling to meet the bare minimum obligations to their staff – award rates, penalty rates, casual loading (which is currently in dispute), superannuation guarantee, leave entitlements, minimum termination notice periods and so forth.

Every day on the My Business news desk, we receive complaints from business owners about the ever-increasing burden of red tape – particularly in terms of workplace regulations – weighing down hard-working business operators.

Scarily, some leaders actually earn less than their employees.

So how could SMEs possibly fork out even more to match the generous extras being given out by larger companies in a bid to retain their existing staff or recruit new ones to support business growth?

In short, they can't.

That means a cleverer approach is needed, using brains over brawn, and agility over size. There are some interesting things I've picked up over the years of how SMEs can, and are, maintaining competitiveness with the big end of town. This is by no means an exhaustive list, but definitely an overview of some of the key takeaways I have seen Aussie businesses put into practice.

Speak up – and to the right people

Governments – regardless of political ideology – are universally criticised as being out of touch and implementing unrealistic compliance burdens on business leaders. But how many of us have actually written to or otherwise directly contacted our local member, or relevant minister, to voice our concerns, desires and proposals for change?

I did once years ago – as a self-employed contractor speaking out about falling victim to a phoenix operator. Admittedly, the response was nothing short of lacklustre. But if every single business owner who had suffered a similar loss contacted the relevant minister, the value of that collective data would speak volumes about the scale of the problem and, therefore, the need for political action.

So, make your thoughts known, give voice to your ideas for delivering meaningful change for your business, because more voices add more impetus and urgency for reforms. You can do this by going direct to your local MP and/or the relevant minister, or by actively engaging with your industry body.

Get to market first

The biggest weapon SMEs have over the corporate world is ironically also their biggest liability: their size. Think of it as a contest between a mouse and an elephant. The elephant can step on the mouse if it chose to do so, without giving a second thought. But, likewise, the mouse can easily outmanoeuvre the elephant.

Clunky bureaucracy is not the sole dominion of the public sector. Big companies are in many ways the masters of red tape.

Like the elephant, they are so big that they can't see what each of their four legs are doing – and have never even glimpsed their own tail. Their cost-cutting sprees can and do sever vital working capital from high-growth business units. Their approvals processes for everything from new products to basic public statements are so lengthy that the world has moved on before they reach an agreed position.

Look at the number of times high-profile companies undergo a round of mass redundancies, only to launch a hiring spree months later because they have let go of their key personnel and work quickly piles up.

This is the prime advantage SMEs have in the market. Decisions are generally made in a single meeting. Announcements can be made in an instant on social media. Products can be tested, released and tweaked according to customer feedback before corporates have reached internal agreement on the font to be used on the price sticker.

If it doesn't make money, outsource it

Resources are generally tight in an SME. Business leaders often get caught up doing menial chores and laborious tasks. The mindset of "I've always done it" or "no one can do it up to my standard" is surprisingly common. But that mindset comes with a financial cost.

The time spent cleaning the office toilets, doing data entry or some other similar task is actually losing the business money – time that would be better spent sending out invoices, taking those extra customer calls, submitting tax documents ahead of the deadline to avoid interest charges.

Time is a valuable asset in a smaller business, and it should be thought of as such. So, outsourcing and automating such tasks to free up that time for money-making activities becomes a key priority. As one business leader recently said at a summit on balancing parenthood with entrepreneurship: "If I have to do something four times … there has to be an app for that."

People before profits

The biggest lesson from the banking royal commission came down to priorities. Example after example emerged of bankers putting profits at the centre of what they do, rather than meeting the needs of their customers.

And that flowed from the ground level, with individuals engaging in unethical to potentially illegal behaviour to boost their own commissions and earnings, through to bank processes designed to maximise shareholder returns rather than deliver optimal customer outcomes.

SMEs though, by their very size, are generally much closer to their customers. And it is this humanised approach that really matters to the bottom line. Happy customers will not only continue doing business with you, but will essentially assume marketing your business for you, directing others in their network to also engage with you.

That might involve giving freebies for loyalty, sharing customer achievements and news on your own social channels, to simply saying more than "next please" at the register and taking an interest in their day and their life. Similarly, happy staff will go above and beyond for their employer: putting in additional effort to win a new contract; going the extra mile to satisfy a demanding customer; recommending skilled peers to come and work for the business; sharing their ideas for business efficiencies or new products that they might otherwise keep to themselves.

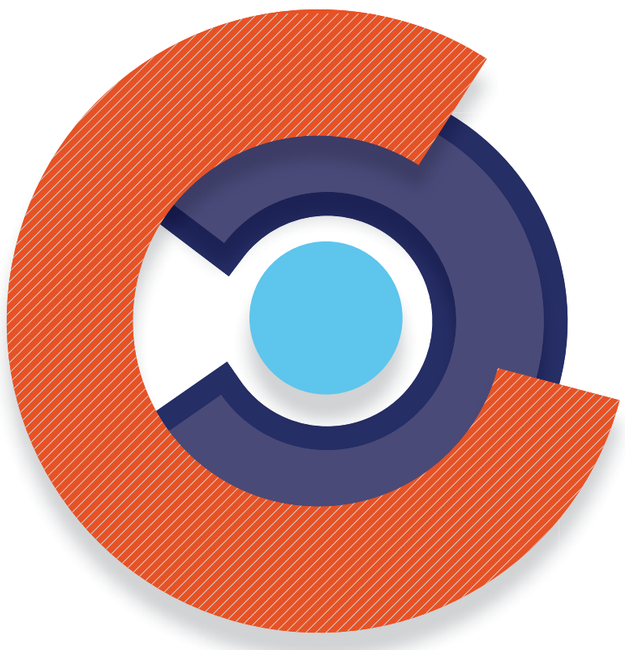
Don't ever do things alone

Running a business can be quite isolating. Isolation breeds tunnel vision. Mentors and peers can add great insights, from being able to look at an issue in a different way, to bringing separate life and business lessons to the table. Sometimes, it takes a different perspective, or even a shared perspective, to really drive a shift from languishing to thriving.

Another common problem facing small businesses is a lack of process (something big business is good at), causing its leaders to lose momentum and focus, in turn causing sales to slide and customers to go elsewhere. So be small and embrace the associated benefits, but don't let that stop you thinking big.

360 DEGREES

What opportunities do you see for your clients with the Australian Business Growth Fund?



Greg Sheridan

director and business adviser,
Sheridans Accountants & Financial Planners

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 to borrow money, so the Australian Business Growth Fund will be a great source of funds to grow Australian businesses. I was at an IPA workshop earlier in the year where the idea was floated by Andrew Conway and thought then that it is just what we need.

We have many small business clients that over the years could not go ahead with plans to grow through lack of funding. A good example is a new client recently that migrated from Germany with qualifications and experience in chemistry and we did a business plan for an idea of his to set up a packaging manufacturing plan that was very innovative and efficient compared with current plants, but he needed funds to buy the equipment. 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.

My only concern is that the government's idea of what a small business is and what I think one is, is quite different. 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 etc. It is those clever, innovative, hardworking people sitting in sheds, offices and shops all over Australia who are struggling to get funds and so I hope they have access to the new fund.

Keith Marshall

director,
Preston Corporate Accounting

I've seen a lot of passionate clients with exciting and innovative ideas over the last 15 years of working with small and medium Australian business owners. Unfortunately, they often experience a range of hurdles, with financing these ideas being the most common obstacle.

You only need to look at countries like New Zealand, where creativity is encouraged, to see how cloud products and other novel tech start-ups are being created with impressive results. The same kind of progress is possible here in Australia if the right support and encouragement were provided. We need to provide small and medium business owners and start-ups with the much-needed capital to evolve and develop in a globalised and increasingly uncertain economic world.

Small and medium businesses are the backbone of Australian society, with great ideas and efficient and affordable products. However, their ability to bring these to the broader market is limited by their capital.

Sometimes we need to encourage risk and take a leap of faith for our own growth and development. We probably all had some point in time where we were in a position safe enough to take a risk and were made a better person in having that risk pay off.

An investment fund to encourage small business growth (and obviously the key is always in the details with such initiatives) would allow Australian businesses to take new risks, bring ideas and innovations to the world stage and promote Australia as a country of pioneers and visionaries.

Our people have great ideas, let's allow them to shine.

Kevin San

director,
Kevin San & Associates

Obtaining funding for a small business can be extremely challenging. At the smaller end of the range, the increase in property prices in the past decade has meant that many budding entrepreneurs have enough equity in their home to guarantee a business loan for an SME. It's often a quick and easy process for a husband and wife team to obtain funding to open a café or a small retailer.

But on the other hand, it's a lot harder for larger businesses who might need a more considerable amount of funding to buy a significant business asset. Generally, loan financing only goes smoothly when the business owner is of a certain age and is in a position to provide a director guarantee with a home, which has had both large increases in value as well as a mortgage that is largely paid off. And even then, we've had experiences even with asset-rich clients who have run into road blocks when the bank returns lower valuations on their property than expected.

Ironically, the biggest funding hurdles are with the young entrepreneurs that have the biggest start-up dreams, which tend to come to the table with very few personal assets. And those seeking venture capital tend to find that the investment comes with some onerous conditions, like preferential return and payout on liquidation, and also the investors often require a level of board and management control that is out of proportion with their investment.

So, I don't think the Business Growth Fund is going to be for everybody. But hopefully our scheme will follow the UK one, where the investment is non-voting. If so, it will be a very appealing alternative to current private investment options for start-ups.

Dan Fairbairn

managing director,
We Are Waypoint

The way we work with clients is through technology, so our clients are mostly looking at getting an e-system fitted, that may be an e-commerce system or inventory system or similar.

I can definitely see a whole load of opportunity with the Australian Business Growth Fund. We have seen the benefit of funding through our clients in the UK and the US that have had lots of things offered to them for a long time, such as matched funding and equity funding. It definitely reduces short-term pain.

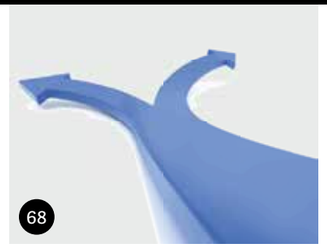
The benefit of undertaking a transformation project for a business is long term, but there is always the cost of doing the project and the downtime in relearning and training. Without funding you have to bare all those costs, as well as the currency cost of the project. The work you are doing might be under $1,000, but you then face downtime and relearning. So, the long-term funding opportunity will reduce the initial point of pain.

In over 50 per cent of the work we do in the UK, the clients are receiving some sort of funding. It's not exactly equity funding, it is more innovation and growth funding, but it's definitely a big thing.

This is especially true given the banking royal commission. A lot of the time the small businesses are not investing in physical products, so not necessarily another factory or something you can secure debt against. In this sense, the Growth Fund will massively help people because, quite often, banks are unwilling to lend financial help when there isn't an asset they can take back.

Technical

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



Technical | Tax policies

Divergent paths on tax policy agenda

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

IPA maintains an apolitical stance when it comes to assessing policy. Heading into a federal election in 2019, it is important to analyse and evaluate all policy proposals from the major political parties. We review all proposals from two perspectives: members' and public interest lens. Most of the time the public interest and members' interest are aligned, but this is not always the case.

For months now, the two major political parties have been foreshadowing divergent tax changes, but we understand that it will be left to public accountants who fully understand the implications to advise their clients on what it all means. The impacts will be varied depending on client circumstances, so practitioners will need to tailor how they convey the impacts on a client by client scenario.

A note of caution here, as there is little detail associated with some of the proposed changes. While we have laid out conceptual foundations of policy announcements, the detailed legislation might differ substantially, so we urge members to be mindful of this situation. Labor has not divulged much detail with its policy announcements so the detail can lead to some unexpected surprises.

This is what we know so far (at time of writing):

Labor policies mentioned so far:

1. Maintaining a company tax rate to the full 30 per cent for entities with turnover exceeding $50 million;

2. Higher personal tax rates at the top end and lower personal tax rates at the lower end (i.e. less than $125,000). Labor has indicated that it will oppose phase 2 and 3 of the legislated personal income tax changes and intends to reinstate the 2 per cent deficits levy;

3. An increase in the Medicare levy to 2.5 per cent coupled with a more generous Medicare levy arrangement for lower paid workers than currently available;

4. Limit negative gearing on investment properties to newly built residential dwellings from a yet to be determined date after the election. Property investments made before this date will not be affected as they will be grandfathered. Ability to negatively gear other asset classes will also be restricted. If the total of the interest and deductions related to investments exceed the investment income, the excess will not be able to be used for offset against other non-investment income such as salary and wages. This excess will need to be carried forward for offset against future investment income or capital gains. It will apply on a prospective global basis to every taxpayer. In other words, it will apply to property and shares alike (and any other relevant asset classes) and it will apply by looking at a taxpayer and assessing their overall investment income as measured against their overall investment interest expenses.

5. Providing landlords who build new residential dwellings an annual subsidy for 15 years of $8,500 a year if the home is let out at 20 per cent below market rates;

6. A halving of the capital gains tax (CGT) discount to 25 per cent for individuals;

7. A minimum tax of 30 per cent on all distributions from discretionary trusts. Currently distributions are subject to tax in the hands of beneficiaries at marginal income tax rates, which could result in a lower effective tax rate for those distributions;

8. A denial of any cash refund in respect of excess imputation credits;

9. A new deduction (the Australian Investment Guarantee) that will enable a 20 per cent deduction in respect of the purchase of any new eligible asset worth more than $20,000;

10. Capping of deductions for managing tax affairs to a maximum of $3,000. This cap will impact individuals, trusts and partnerships. A carve-out is to apply for individual small businesses with positive business income and annual turnover up to $2 million;

11. Whistle-blower rewards for tax evasion; and higher penalties for tax exploitation promoters;

12. Establishment of a new Second Commissioner (Appeals) within the Tax Office;

13. Superannuation:
    - Oppose catch up contributions on concessional contributions and tax deductibility on personal superannuation contributions;
    - Lower annual non-concessional contribution cap to $75,000 and further lower high-income super contribution threshold to $200,000;
    - Increasing the superannuation guarantee to 12 per cent when fiscal circumstances allow.
    - Phase out the $450 minimum monthly threshold to receive super guarantee contributions, as part of a broader women's super-security package; and
    - Higher penalties for employers not paying SG.

The Coalition's current tax policies:

1. Companies with an aggregated turnover of less than $50 million have a reduced company tax rate of less than 30 per cent. Tax cuts already enacted as follows:
    - 27.5 per cent 2019-20 income year
    - 26 per cent for the 2020-21 income year
    - 25 per cent for the 2021-22 income year and for subsequent income years

    The government will no longer proceed with implementing its plan to have a 25 per cent tax rate apply to all companies;

2. The government has legislated changes to personal income tax thresholds, as announced in the 2018-19 federal budget. Personal tax changes legislated are to be rolled out in three tranches over the next seven years as detailed in the table above;

3. No change to current arrangements regarding negative gearing of investment property;

New personal tax rates and thresholds: 2018-19, 2022-23 and 2024-25

Rate (%)	Current tax thresholds income range ($)	New tax thresholds from 1 July 2018 income range ($)	New tax thresholds from 1 July 2022 income range ($)	New tax thresholds from 1 July 2024 income range ($)
Tax free	0 - 18,200	0 - 18,200	0 - 18,200	0 - 18,200
19	18,201 - 37,000	18,201 - 37,000	18,201 - 41,000	18,201 - 41,000
32.5	37,001 - 87,000	37,001 - 90,000	41,001 - 120,000	41,001 - 200,000
37	87,001 - 180,000	90,001 - 180,000	120,001 - 180,000	-
45	>180,000	>180,000	>180,000	>200,000
Low and middle income tax offset		Up to 530	-	-
LITO	Up to 445	Up to 445	Up to 645	Up to 645

4. No change to the CGT discount, which currently sits at 50 per cent for individuals;

5. No change to the current arrangements regarding trust distributions from discretionary trusts. Currently distributions are subject to tax in the hands of beneficiaries at marginal income tax rates, which could result in lower effective tax rate for those distributions;

6. No change to the current arrangements regarding imputation, in particular, full refund of excess imputation credits. This means that excess imputation credits can be converted into cash refunds;

7. Superannuation – While not directly a tax policy, the government is proposing a three-year audit cycle for SMSFs that have a history of good record-keeping and compliance;

8. No changes in relation to depreciation – the $20,000 immediate asset write-off is available to 30 June 2019. There is no certainty beyond this date; and

9. Establish a Small Business Concierge Service within the Australian Small Business and Family Enterprise Ombudsman's office to provide support and advice about the Administrative Appeals Tribunal process. It will also create a dedicated Small Business Taxation Division within the AAT, which will include a supporting case manager, a standard application fee of $500 and fast-tracked decisions to be made within 28 days of a hearing.

Accountants are in a position to disseminate and explain the ramifications. It's hard to imagine not being impacted in any way. Examples of some impacts:

- The amount of personal income tax and Medicare levy you will pay;
- The amount of capital gain that will be subject to personal tax;
- Opportunity to continue to convert excess franking credits into cash;
- Altering the tax treatment of trust distributions;
- Ability to offset prospectively investment losses against other income (i.e. negative gearing);
- Ability to claim a full deduction for the cost of managing your tax affairs; and
- Remove deductibility on personal superannuation contributions and lower the annual concessional contribution cap.

Clients would want the implications relevant to their circumstances explained to them in plain English and their accountant is in an ideal position to do this. There are many other election issues that will influence a voter's preferences and, at the end of the day, it is about making informed choices.

Technical | Trusts

Beware of trusts ending when time runs out

The aim of this article is to alert the reader that there are different reasons why a trust may come to an end (i.e. it vests). This vesting of a trust leads to further tax consequences and obligations for the trustee. Nexia Australia national tax director Roelof van der Merwe outlines these issues

by Roelof van der Merwe

Roelof van der Merwe
national tax director,
Nexia Australia

A trust may end for a variety of legitimate business reasons (e.g. the business activities of the trust may have come to an end or the business owners may no longer want to use a trust structure to run their business but rather convert to a corporate structure). Alternatively, the trust may end by a court order, a resettlement or when the term of the trust expires (because trusts generally have a limited life-span up to a maximum statutory period of 80 years).

Although this vesting date is specified in the trust deed (usually in a vesting clause), it can easily be overlooked. Many people operating through trust structures are unaware of when their trust's vesting date is.

Just imagine that after reading this article, you go and examine when the vesting date for your trust is. To your alarm you discover either that:

- the vesting date is within the next year (i.e. it may be a trust settled in the late 1980s with a lifespan of 30 years); or
- the trust has actually vested five years ago, yet you are still carrying on business through this trust (that vested five years ago).

What would you do in such situations?

Most probably the following three questions will be popping up in your head:

1. What are the consequences (tax and non-tax) when a trust vests?
2. Can you extend the vesting date to avoid the trust from vesting (and thereby avoid or defer any potential tax consequences)?
3. What if you were unaware that the trust has already vested, yet you continued operating through such a trust?

This article provides answers to these pertinent questions.

Consequences when a trust vests

When a trust vests, the interests of the beneficiaries in the trust property becomes fixed at law. This means that a trustee of a discretionary trust will no longer have a discretionary power to decide which beneficiaries will be entitled to the income or capital of the trust. After vesting, trustees will hold the trust property for the absolute benefit of those beneficiaries specified as takers on vesting (as set out in the vesting clause).

In short, the vesting process is typically as follows:

1. Trustee resolves to allocate assets to beneficiaries
2. Vesting documentation
3. Transfer of legal title of assets
4. Trustee finalises accounts and tax return.

Also, trust vesting may give rise to various tax (e.g. income tax, CGT, GST and stamp duty) and non-tax issues (e.g. trustee has different fiduciary duties when a trust ends).

1a. Tax issues

The tax consequences arising when a trust vests depends on a variety of factors (e.g. the type of trust, the residence of the trust, the type of beneficiaries, the type of assets and the type of distributions).

Broadly, for income tax purposes there will be a final distribution of trust income. It is therefore important to ensure that valid trust resolutions are in place before the vesting date to ensure there is no trustee assessment of undistributed income. Also, any unutilised trust losses will become unusable/lost.

The mere vesting of a trust will not necessarily give rise to CGT consequences. For example, if a trustee continues to hold trust assets for takers on vesting, the trust assets will be held on the same trust that existed pre-vesting – only the nature of the trust relationship changes on vesting.

A capital gain/loss will only arise if there is a disposal or transfer of legal title of the trust assets. On such a transfer the beneficiary will usually receive an uplift of the cost base to the market value of the asset received, depending on the type of trust and how the assets are disposed of. However, there may be significant capital gains on such transfers.

The most important post vesting events that may lead to CGT consequences are:

- When a new trust is created by declaration or settlement over the trust assets (i.e. CGT event E1);
- When the takers on vesting become absolutely entitled to CGT assets of the trust (i.e. CGT event E5); or
- Once CGT assets are actually distributed to beneficiaries (i.e. CGT event E7).

There are also GST issues (whether a cash distribution or an in specie distribution of assets is a taxable supply), which usually turns on whether the recipient is registered for GST. Stamp duty issues (whether dutiable property is transferred) also arise when a trust comes to an end. Depending on the state/territory, exemptions are available, provided the movement of assets is structured correctly.

1b. Non-tax issues

The trustee also has certain obligations to perform in order to pay the trust debts and distribute trust income and property (whether in cash or in specie) to beneficiaries – the steps that the trustee must follow are usually set out in the vesting clause of a trust deed.

Once this has been done, the trustee must generally complete all financial records, inform the beneficiaries in writing of the distributions and lodge final tax returns.

A word of caution for trustees: to avoid a potential liability, it is very important for the trustee to distribute trust property correctly when a trust ends.

2. Extending the vesting date to avoid the trust from vesting

The vesting date of a trust can be extended prior to vesting without triggering a resettlement or creating a new trust, provided:

- the trust deed or a court order allows such an extension of the vesting date; and
- there is continuity of the trust estate (i.e. the property and the membership of the trust is maintained after such a change).

3. What if the vesting date of the trust has been overlooked?

In such a case (i.e. where the trust is continued to be administered inconsistent with the vesting terms), there will be no automatic extension of the vesting date. Instead, a new trust would have been created because the nature of the trust has changed.

Because a new trust has been created:

- this will give rise to a capital gain/loss (because of CGT event E1) because a new trust has been created; and
- trust income derived before and after vesting date may be distributed to different beneficiaries (e.g. income appointed after the vesting date has passed should have gone to the takers on vesting – which may be different to the discretionary beneficiaries as was the case before the trust had vested).

Key takeaways:

1. Check your trust deed for vesting date;
2. Determine trustee's obligations on vesting; and
3. Determine the consequences if vesting date has passed.

Conclusion

This article briefly touched upon some consequences when the term of a trust expires and the trust relationship comes to an end.

It also stressed the importance of being aware of when a trust's vesting date is, and taking appropriate strategies to extend the vesting date before the trust vests.

As with most things in life, it is a good idea to plan ahead so that you have systems and strategies in place to ensure you have the best chances of identifying the vesting date of a trust and to ensure the trustee fulfils its obligations when a trust ends.

It is important to speak to a tax adviser that has the necessary expertise and experience to assist you in setting up your systems and strategies to help you manage your different trust risks.

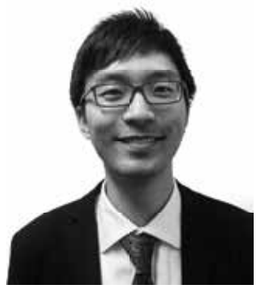
Furthermore, because different states and territories in Australia have different rules about the basic powers and responsibilities of trustees, we would recommend that you speak to a tax adviser in your particular state so that the tax adviser can help identify and deal with any issues to help you strengthen your business.

Technical | Ipso facto & SMSFs

The new 'ipso facto' regime and SMSFs

The new law pertaining to 'ipso facto' clauses came into operation on 1 July 2018. This article highlights the relevance of the new law for SMSFs. Note that the law in this area is complex and a detailed and careful analysis is required to properly understand how the new ipso facto regime operates

by Joseph Cheung and Daniel Butler



Joseph Cheung, lawyer, DBA Lawyers

Daniel Butler, director, DBA Lawyers

Ipso facto is a Latin phrase that means 'by the fact itself'. An ipso facto clause is a provision in a contract that allows one party to terminate or modify the operation of a contract upon the occurrence of some specific event, regardless of otherwise continued performance of the counterparty. For example, in an insolvency context, a clause in a lease that allows one party to terminate the lease if the counterparty enters into external administration is an ipso facto clause.

For the counterparty that is affected by an insolvency or formal restructure process, some negative consequences of ipso facto clauses include (but are not limited to) the following:

- the ability to successfully restructure could be reduced; or
- the market value of a business entering formal administration could be destroyed; or
- the business could be prevented from being sold as a going concern.

The introduction of the new law relating to ipso facto clauses is part of the federal government's reform of Australia's insolvency laws. This new law is aimed at enabling businesses to continue to trade in order to recover from an insolvency event

Summary of the new law

Broadly, this new law applies to contracts entered into on or after 1 July 2018 and makes certain ipso facto clauses that amend or terminate a contract unenforceable if the ipso facto clause is triggered merely because:

- the company is entering into administration (*Corporations Act 2001 (Cth)* ('CA') s 451E) ; or
- a managing controller has been appointed over all or substantially all of a corporation's property (CA s 434J); or
- the company is applying for or undertaking a compromise or arrangement for the purpose of avoiding being wound up in insolvency (CA s 415D).

Generally, where a triggering event under any of the above mentioned three categories occurs, there is a 'stay on enforcing rights'. Please note that there is further detail in each relevant section of the CA, covering aspects such as the timing of the stay and the court's ability to extend the period of the stay.

However, a detailed examination of these sections is beyond the scope and purpose of this article.

Note that there are exceptions to a 'stay on enforcing rights'. We summarise these exceptions into four categories:

- The right is a right under a contract, agreement or arrangement entered into after a triggering event;
- The right is contained in a kind of contract, agreement or arrangement that is prescribed by the regulations or a kind declared by the Minister;
- The right is a right of a kind declared by the Minister; and
- Certain parties (named in the CA) have consented in writing to the enforcement of the right.

Where a party wishes to enforce their rights despite a stay, they can apply for a court order. Broadly, the court may issue an order if the court is satisfied that this is appropriate in the interests of justice. (Refer to the CA ss 415E, 434K, 451F for further details about the criteria that the court considers before making an order).

Despite the operation of a 'stay on enforcing rights', the new law does not prohibit the exercise of a right for any other reason. For example, where there is a breach involving non-payment or non-performance by one party, the counterparty can pursue its legal rights.

Relevance of the new law for SMSFs

While the new law relating to ipso facto clauses is not specifically targeted at SMSFs, it is relevant since there are an increasing number of SMSFs, especially SMSFs with corporate trustees, and these SMSFs often enter into various contracts that may contain ipso facto clauses. The following are some common scenarios:

1. An SMSF owns business real property and leases it to either an unrelated third-party tenant or a related party tenant. A lease agreement is executed by the SMSF as lessor.
2. An SMSF invests by providing a loan to an unrelated third-party borrower. A loan agreement is executed by the SMSF as the lender.
3. An SMSF enters into a limited recourse borrowing arrangement (LRBA) to purchase real property. The SMSF executes a loan agreement in its capacity as the borrower. The custodian/bare trustee company might also be included as party to the loan agreement.

Naturally, there are many other scenarios where an SMSF may enter into a contract.

In the first scenario, the lease may contain provisions stating that the lease agreement is terminated if the tenant enters into administration or the tenant fails to make a lease payment within a prescribed time period. Similarly, in the second scenario, the loan agreement may contain provisions stating that the loan agreement is terminated if the borrower enters into administration or the borrower fails to make a loan repayment within a prescribed time period. In both the first and second scenarios, the SMSF trustee may seek to rely on these provisions to terminate the agreement with the other party on the occurrence of a triggering event.

In the third scenario, the LRBA documents may contain provisions stating that the loan agreement is terminated if certain triggering events occur, such as if the SMSF trustee enters into administration or the SMSF trustee fails to make a loan repayment within a prescribed time period. In the third scenario, the third party may try to rely on the provisions against the SMSF trustee upon the occurrence of a triggering event. In all three scenarios, there may be other clauses that deal with the consequence of the termination. It is important for SMSF trustees and advisers to know whether such clauses can be relied upon if a certain triggering event occurs. In certain circumstances, they may also have to decide whether any documents need to be updated in light of the new law relating to ipso facto clauses.

For completeness, please note that a 'stay on enforcing rights' relating to an ipso facto clause does not by itself invalidate a contract. Furthermore, the law in relation to ipso facto clauses may be subject to further change in the future. For example, the exceptions to 'stay on enforcing rights' may change, so it is prudent to review the law on a regular basis.

Conclusion

LRBAs commenced pre-1 July 2018

SMSF trustees and advisers should review all contracts entered into on or after 1 July 2018. SMSF trustees should also obtain documentation (such as LRBA documentation) from a quality supplier firm that has reviewed its documentation to ensure that it is up-to-date in light of this new law in relation to ipso facto clauses.

The law in relation to ipso facto clauses is a new area of law and where in doubt, expert advice should be obtained. Naturally, for advisers, the Australian Financial Services Licence under the CA and tax advice obligations under the *Tax Agent Services Act 2009 (Cth)* need to be appropriately managed to ensure advice is appropriately and legally provided.

Technical | STP

Single touch payroll reporting – Clarity for small employers?

After considerable delays in the Senate, small employers now have some clarity surrounding the implementation date for single touch payroll reporting

by Tracey Dunn

Tracey Dunn
senior manager – tax services, RSM

The Treasury Laws Amendment (2017 Enterprise Incentives No. 1) Bill 2017 was passed by the Senate on Wednesday, 5 December 2018 with a proposed amendment.

The bill introduces, among other measures, legislation extending single touch payroll (STP) reporting to employers with less than 20 employees. Employers with more than 20 employees have been subject to single touch payroll reporting since 1 July 2018.

The proposed amendment, which relates to a part of the bill relating to deductible gift recipients, means the bill will have to go back to the House of Representatives in its entirety before any changes can be made to the law.

Despite the fact the bill has been referred back to the House of Representatives, employers with less than 20 employees should be taking steps to ensure they will be STP compliant in time for the start date of 1 July 2019.

Single touch payroll reporting changes the way employers report information to the ATO about payments made in respect of employees.

Here are the main alterations:

- Report employee's tax and compulsory superannuation guarantee (SGC) to the ATO on or before each pay day. This information is sent to the ATO from the employer's STP enabled payroll software;
- Employers will no longer need to provide employees with a PAYG payment summary for payments made via STP (except for payments not made through STP, for example, employee share schemes);
- Employers will no longer be required to provide the ATO with a payment summary annual report for payments reported through STP;
- Employees will be able to view their year-to-date payment information via their myGov account or they are able to request a copy of the information from the ATO;
- SGC liabilities that were previously provided to employees on their payslips will now be reported via STP. The employee's complying superannuation fund will report to the ATO once the employer has paid the compulsory SGC liability to the employee's chosen or default fund.

Recommended actions

While many small employers will already be using STP compliant software, some smaller or micro businesses (e.g. with one to four employees) that have been manually processing payroll and superannuation payments will now need to find alternative options to report payroll and SGC information.

Single touch payroll reporting will place more of an onus on employers to ensure PAYG withholding and SGC obligations are paid on time, as same day reporting, along with data matching with superannuation funds will identify recalcitrant employers not meeting their reporting or withholding obligations on a real-time basis. The expansion of the powers of the Commissioner of Taxation to recover superannuation and PAYG withholding, along with the introduction of a criminal penalty for not meeting certain obligations, comes as a timely reminder to small employers to get their house in order.

Change does come with challenges and, sadly, there may be an additional cost for some employers.

According to some media reports, Chris Jordan, the Commissioner for Taxation has said, "Micro-businesses may be eligible to report payroll and SGC obligations quarterly via their BAS or tax agent."

However, this has not been confirmed and is not consistent with the new law. Using a BAS or tax agent to meet STP reporting requirements quarterly (if available) may add more cost to small business taxpayers than seeking to use one of the low-cost STP solutions also being put forward by the ATO.

We recommend small employers impacted by the change in legislation take the following steps in the lead up to the start date for single touch payroll reporting:

- Review current accounting and payroll systems and consider alternatives, such as:
  - Subscribing to a low-cost online cloud-based accounting program;
  - Consider outsourcing accounting and/or payroll functions to a suitably qualified BAS agent or tax agent; and
  - For micro employers, consider one of the low-cost STP solutions detailed on the ATO website.
- Review current practices to ensure compulsory SGC payments are made in time (keeping in mind the payments need to be received by the employee's chosen or default fund by the due date for payment); and
- Discuss the changes with your employees. Let them know they will no longer receive paper copy payslips, they will instead be able to access online information about their payments via their myGov account (or they can request a copy from the ATO).

The hidden cost for employees

Word of warning for employees who activate an account with the ATO via their myGov account.

If the employee uses a registered tax agent to prepare their income tax return, any correspondence from the ATO will be sent directly to the individual's inbox with their myGov account. This includes notices of assessment, overdue notices, payment demands etc. The employee's tax agent will not receive a copy of the correspondence or be notified of its issue by the ATO. Employees with a myGov account are encouraged to check their ATO account regularly not only to keep track of payroll information but also to ensure they receive ATO correspondence on a timely basis.

Employees who do not have a myGov account will be able to request the information from a registered tax agent, however, this no doubt will come at a cost.

While the extension of STP reporting may provide some short-term challenges for some smaller employees, overall it is a good thing and will help ensure employers meet their employee obligations on a timely basis.

Employers impacted by the extension of single touch payroll reporting are encouraged to talk to their accounting and tax advisers to ensure they are ready to meet their STP reporting obligations from 1 July 2019.

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

Overseas

Nicholas Kekena

Admitted as AIPA

New South Wales

Bashshaar Ayub
Monika Burgess
Yetil Chand
Haozhe Dong
Tara Edwards
Darryn Fellowes
Seok Hwa Han
Stephen Jimogiannis
Bianca Marie Lagrosa
Trong Calvin Le
Olena Legoida
Le Vy Mac
Ewelina Machura
Joanne McFadden
Emily Palaje
Jack Phung
Samira Saffari
Subrata Saha
Ruby Searant
Monika Stelzner
Antonious Taktak
Ajith Thankachen
Myriam Valdivia

Victoria

Sumaia Abdulnasir
Nakshatra Aher
Ahmad Anwar
Sharmin Al Bely
Heather Bougoure
Colin Brice
Chao Chang
Upasana Dalal
Matthew Defina
Steve Don
Muhammad Umer Farooq
Danica Fernandez
Lakshay Gupta
Tanvi Gupta
Yash Kashmery
Rajesh Kaushik
Prasanna Venkatesh Lalgudi Ganapathiraman
Sarah Liversidge
Glenn Lovell
Jiahong Lu
Deng Madol
Adam Marks
Imran Merhi
Tung Nguyen
Warnakulasuriya Perera
Elise Redmond
Therese Ridley
Rohan Salian
Lyn Shand
Reha Shrestha
Puneet Sidhu
Glenda Simalong
Subavinothy Sivananda
Catherine Stanley
Marita Starling
Yanyan Sun
Joseph Thathireddy
Bimali Thena Hannadige
Carol Tillyer
Minh Hang Tran
Xue Yang

Queensland

Bradley Bennett
Zoe Chesterton
Anne-Maree Cust
Dennis De Villa
Jolande den Otter
Gene Geedrick
Maria Isoton
Reuben Long
Tanner Noakes
Omolbanin Vahedimanesh
Sally Williams
Terence Wong

South Australia

Ama Abeywickrama
Wendy Cox
Linda Gardiner
Jingjing Li
Kerry Mickan
Jagjit Thandi
Joseph V Lukose
Maricar Vivas

Western Australia

Tao-Ying Antoine
Ronald Brukwinski
Emma Colegate
David Dhu
Louise Hogan
Tammy Norregaard

Overseas

Tasmiha Farook
Loic Cabrel Gapin Mokaje
Hafsal Kunhipurayil Hamsa
Joe Clifford Laurente
Tonderai Mashingaidze
Hassan Pansari
Binoy Than Dayamparambil Kesavan

China

Jiang Lin qi

Admitted as FIPA

New South Wales

Kenneth Barrington

Victoria

Craig Allen
Christine Brown
Kevin Davis
Geraldine Lee
Mark Pizzacalla

Western Australia
Simone Hildebrand

Hong Kong
Lee George Lam
Ting Yuk Anthony Wu

Overseas
Josephine Akeredola
Maria Howlader
Binshi Jose
Williams Makinde
Tshepiso Joseph Mmoloke
Adediji Ojo
Funmilayo Grace Olomisakin
Baba Tunde Raheem Ahmed
Sujit Kumar Saha
Hossain Tayiab
Abubakar Yakubu

China
Fang Fang
Feng Dong
Hu Yuhua
Ji Zhengjun
Ling Zhongbao
Mao Yiqi
Peng Xiaohui
Peng Yong
Que Jing
Wang Li
Zhu Jing
Zhu Liyun

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Yolanda Baker
Sean Cleary
John Frazer
Mohit Gupta
Emmanuel Kastanias
Muhammad Khan
Mitchell Mattingley
Fiona McCann
Mohammad Pashangzadeh
Alissa Patison
Stuart Reynolds
Graham Robertson
Gillian Shakespeare
Djajadi Wongso
John Yeldham

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Peduruge
Ori Bahar
Berivan Dubier
Rohan Gilchrist
David Jefferies
Khem Khanal
Geraldine Klein
Yong Ho Lee
Ken Lim
Karuna Malik
Aveenash Narang
Wing Cheong Ng
Jason Noronho
Debra Perry
Sashie Prasad
Dario Precoma
Jonathan Rolfe
Wasu Sooksomsod
Alexander Stewart
Nabil Tadros
Weijia Tang
James Vandeloo
Elissa Veleff

Queensland
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Theophanis Conias
Jean Maher
Jobish Mathew
Guangdi Shen
William Wight

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Jane Biddell
Showvonick Datta

Western Australia
Beryl Crane
Victor Duplancich
Lalitha Kadekodi
Norval Watts

Tasmania
Robert Cure

Malaysia
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Yi Won Chiau
Bee Koo Chua
Shu Fang Goh
Ming Wei Hin
Lansy Johan
Siaw Yen Lee
Min Li
Wuan Siew Loh
Kai Wei Neo
Fei Shen
Jun Min Tan
Xiao Pei Tan
Gin Kie Teo
Siao Jen Teoh
Beng Kiat Yap
Suat Leng Yeow
Hai Ying Yuan

Hong Kong
Hau Yan Claire Lee
Ka Lam Angel Lee
Ching Wah Mak
Wai Man Ronald Mok
Chan Wing Wong
Wai Yiu Gary Yuen

Overseas
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Eldirdiri Abdalla
Saiyed Sajjad Imam Abidi
Abiodun Adegbesan Olugbenga
Sunny Ahmad
Zaheer Ahmed
Comfort Ajayi
Fauziat Abiodun Ajeigbe
Burear Al Ismail
Wajid Ali
Deborah Ameobi
Michael Nii Amu Amoo
Sylvia Amoro
Julius Aribbay
Rizwan Ayub
Abid Aziz
Sanjeewa Prasanna Ku Bamaranda
Archchige Don
Majid Latif Bhatti
Ahmed Bilal
Isaac Bonney
Bobby Cherian
Donabel Chua
Sampath Udaya Ananda
Dangampala Dewage
Rafel Dasca Vinyals
Francis Dorman
Khaled El Achi
Kwesi Krasi Eyiah
Saqib Fareed
Suranga Hasalanka Fernando
Sylvester Runoch Fernando

James Gaiya
Ramesh Raj Ganesan
Asif Hanif
Chandan Mulchand Hemnani
Hicham Hicham
Sanusi Idris
Mohammad Islam
Jibran Ahmed Chishti Jibran
Ratheesh Joy
Zain Ur Rehman Kazmi
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Shahid Khan
Suraj Khandelwal
Emil Kumah-Abiwu
Moneel Mohit Kumar
Akash Kumar-Thakur
Muhammad Abrhaim Manzoor
Toyin Marcus
Sunnykumar Mateti
Uddin Mohammad
Maqsood Ur Rehman Mohammed
Farhan Yaqoob Muhammaed Yaqoob
Sohail Munir
Khalid Nazir
Shakaib Iqabal Nazir
Sachin Nehra
Ngozi Ojima
Osarumwense Omorogbe
Aliu Otun
Roopesh Parikh
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Mandit Rawani
Gul Rehman Rehman
Peter Saben-fosu
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Murtala Sani
Shoaib Shakoor
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Heri Sukendar Wong
Abubakari Yakubu
Albert Yeboah
Mohamed Irshad Yehiya
Muhammad Younas
Muhammad Zahid Mahmood
Tayyab Zamir

China
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Chen Yan
Chen Yi
Cheng Xiangshan
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Deng Chunhong
Deng Jinglin
Fang Aijiang
Fang Weiyan
Feng Yan
Gan Tingting
Gao Lei
Gao Yuman
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You Yilin
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Yu Qingyun
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Zhang Cuilan
Zhang Ke
Zhang Meiying
Zhang Rongping
Zhang Zhi
Zhao Haixia
Zhao Peng
Zheng Ruping
Zheng Zhenyu
Zhou Jing
Zhou Lihong
Zhou Shiyuan
Zhou Zhi Hua
Zhou Ziyun
Zhu Lin
Zong Ze

Advanced to FIPA

New South Wales

Faranak Farnosh
Wei Ling Shen
Kok Ow Douglas Teo
Paul Van Ostayen

Victoria

Saleh Danial
Peter Davis
Keneth Dempsey
Joseph Gan
Karen Kelson
Jacquelyn Kumar
Fayzah Saleh
Angelo Sangiorgi
Sharon Schultz
David Seth
Prachi Sharma
Benjamin Simon
Deanne Van Der Drift

South Australia

Kelly McCoy

Western Australia

Girija Gopalakrishnan

Tasmania

Janet Woolley

Malaysia

Guat Hock Chiam
Zamri Nizam Muhamad Sori
Vignessen Perumal
Tiffany Tang Pooi Fun

Hong Kong

Ju Wai Chan
Ka Yuk Chan
Loi Shun Chan
Sze Lok Chan
Hon Chung Andrew Chau
Chung Man Cheung
Ka Yan Cheung
Tak Ming Chow
Wing Sze Sissy Lau
Wing Hin Law
Yiu Bong Lee
Sui Ching Leung
Dixon Man
Wai Man Siu
Shui Lin Ting
Kam Hung Wong

Overseas

Azeem Ashraf
Syed Shahneel Ahmed
Hassana Hasiya Madin Alfa-Wali
Hussaina Rabi Meccah Alfa-Wali
Petra Chan Tung
Aris Gomez
Tuan Hannan
Sulman Ihsan
Joshua Onome Imoniana
Godson Iroh
Suresh Iyer
Bradley Craig Mitchell
Mohamed Rismy Mohamed
Nisamdeen
Mohammad Zakariyya Mulla
Lakmali Nanayakkara
Chettra Nuth
Minkeng II Pierre
Faraz Muhammad Sheikh
Subbaraya Chandra Velamakanni

China

Liu Yuanfang
Zou Du

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New South Wales

Arsany Boles
Christine Chappell
Paramasivan Eliathamby
Dona Karunaratne
Fatima Nobrega
Monica Prados

Victoria

Dean Crawford

Queensland

Jun Huang

South Australia

Elliot Raboy
Rakapa Schwalger

Western Australia

Sunil Adiyodi
Duncan McKenzie

Overseas

Jayson Axalan

China

Pan Chuanxia
Zhou Limin

Deceased

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

FIPA
Frank Koutsoubos
Victoria