



INSTITUTE OF  
PUBLIC  
ACCOUNTANTS<sup>®</sup>

# Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

## JANE HUMIE

Senator Hume has put her number crunching career on the backburner to reshape the financial industry from the frontbench

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by Maja Garaca Djurdjevic

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Welcome to the new look *Public Accountant*. We hope you love it just as much as we do!

Looking at the world around us we realised that a lot has changed since we first hit desks. And, in order to keep pace with the times, we decided to change our look and feel, and grow our editorial structure. We have introduced a News category where you can expect short and sharp articles straight from the hub.

We have increased our number of features, giving you more crisp content, brimmed with useful information and just the right touch of entertainment. We also bring you the latest in tech innovation, inspiring you to look beyond the ordinary.

But while our colours are bolder and images sharper, our aim remains the same – to fulfil our role as the trusted source of news, analysis and opinion for all IPA members. So, in this new look edition, we dared to dream big.

We interviewed Senator Jane Hume, who was actually one step away from becoming an accountant before she decided to reshape the financial industry from the frontbench.

We sat down with Bruce Billson, the former small business minister who retired from Parliament mid-2016, but who never quite left the small business space.

We also look into the rise of artificial intelligence and the changing nature of work; we explore ACT's unique make-up; and we examine Australia's position on the US-China trade war.

Enjoy the read and tell us what you think by emailing [maja@momentumconnect.com.au](mailto:maja@momentumconnect.com.au).

Visit [publicaccountant.com.au](http://publicaccountant.com.au) and join the conversation.

*Public Accountant* magazine is now available to read online on the Public Accountant digital hub.





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Public Accountant is published bi-monthly by Momentum Connect for the Institute of Public Accountants.  
Vol. 35 No. 5 ISSN 1839-4264  
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Level 13, 132 Arthur Street,  
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## Reflection on a wonderful year

| Damien Moore FIPA FFA |

Recently reviewing the IPA's annual report for 2018/19, gave me the opportunity to reflect on how far the organisation has come, not just in terms of member growth but the level of advocacy that is performed each year

**OUR MEMBER** growth has been significant not just in Australia but globally. Membership in China continues to expand and our colleagues in the UK continue to post sound results annually.

While a membership association is very much about numbers; numbers are not necessarily the heart of the IPA. The IPA is about people and this factor is what I am most proud of.

The organisation has a true passion in caring for its members, advocating for members and making a difference in local and global economies.

The IPA continues to strengthen its CPD offerings with amazing

events such as National Congress (just a little more than a month away in my home state of South Australia), state-based conferences and offshore retreats. This includes delegations to China and the UK, both of which I have enjoyed along with members who have no doubt learned from the experiences.

I continue to encourage members to participate and take advantage of these truly well-coordinated opportunities to enhance their knowledge.

The IPA is an organisation that is always prepared to state its opinion. Over a hundred submissions to government and regulators are

made each year, which promote the best interests of members and the profession. We are also well represented on many forums which help to amplify the credible voice for members and small business.

When the IPA declared its raison d'être as enhancing the life of small business, it was never going to be a throwaway line. It has become part of the fabric that makes up the organisation, reflecting the fact that three-quarters of IPA members work in and around small business.

The launch of the second edition of the Australian Small Business White Paper last year, which followed a nationwide small business roadshow supported by in-depth research through the IPA Deakin SME Research Centre, embodies what the IPA stands for. To think that we have a physical research centre through Deakin University is quite incredible.

I want to thank our loyal members who inspire the IPA to provide the best service possible. Together we have a lot to be proud of, and much to look forward to.



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FROM THE CEO  
Andrew Conway

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## We are a part of the global profession

| Andrew Conway FIPA FFA |

All professional accounting bodies, wherever they are located, must serve the profession by actively retaining the trusted adviser status that accountants hold around the world

**THIS MANTRA** is not one to be taken lightly, nor is it an easy one to maintain, particularly when research clearly shows that 'trust' continues to decline globally. This decline is evident for politics but also applies to professional bodies.

Another key factor that is incumbent upon us as members of the global profession, is the support we need to provide to regional and emerging nations to ensure they have the capacity to grow. This developmental work needs our support. If the region prospers, then Australia prospers.

I have been very fortunate to see some of the fruits of this labour while chairing the Professional Accountancy Organisation Development Committee (PAODC) of the Confederation of Asian and Pacific Accountants (CAPA) for the past few years. This committee has a mandate to promote and facilitate the

establishment and strengthening of professional accountancy organisations in support of the public interest.

This work has seen the ongoing development of a maturity model, with pilots in Samoa and capacity building in Myanmar.

There are a number of nations that are either struggling or emerging through adversity. The accounting profession plays a big part in these communities in the fight against corruption and the support of economic and socioeconomic wellbeing.

With all such matters to be considered, I cannot stress enough the vital role all IPA members play, here in Australia and abroad, within the global profession. We owe it to ourselves to maintain the integrity of the profession and to build and enhance the trust factor as this

not only oversees future growth, it provides members with many more opportunities in emerging markets.

This includes taking a lead in the business advisory space and technology, which continue to grow and drive future business. As I have said before, there has never been a better time to be an accountant. It is those accountants that look to diversify their activities that clients are demanding that will prosper the most.

It is an ever-changing and challenging environment in which we work. Clients need their trusted advisers more than ever and therefore we must respect the trust that clients invest in us.

The dialogue you have with a client today may in fact, be a different discussion you have tomorrow or in the near future. As trusted advisers the responsibility is one of helping clients through whatever change they are experiencing or seeking; whether it be new business ventures, transition to retirement, estate planning, succession planning, and the list goes on.

In closing, for those attending our National Congress in Adelaide next month, I look forward to seeing you there. 🇦🇺



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# Assistant Treasurer considers 'voucher scheme'

**SPEAKING AT** the Institute of Public Accountants (IPA) and IPA Deakin SME Research Centre's Small Business: Big Vision conference, Assistant Treasurer Michael Sukkar said that the IPA's proposal to legislate a "voucher scheme" to help small business engage a trusted and qualified intermediate was "a great idea".

The IPA has been lobbying to introduce a voucher system to encourage small business owners to engage with a professional in their formative planning stage.

Presenting the case to the Assistant Treasurer, IPA CEO Andrew Conway told Mr Sukkar that a voucher, acting as a co-payment towards the total cost of advice, could circumvent some of the common compliance issues down the track.

"By seeking out the advice of appropriately qualified professionals like public accountant tax agents prior to commencement, many of the issues encountered by small

businesses 'downstream' can be avoided," Mr Conway said.

"It is vital that the government provide incentive to access professional advice for the ultimate viability of the business which in turn benefits the economy as a whole."

Mr Sukkar applauded the idea. Speaking in front of an auditorium of accountants and policymakers, the Assistant Treasurer admitted that his office has been exploring methods to facilitate greater access to financial advice for all Australians, including the small business community.

"Well, you've got great small businesses out there, people are rightly focused on what they need to do, but having that adviser, which invariably is your accountant or tax agent, involved early is very important. So, Andrew, I suppose what I'd be wanting to see from you [is] the work you have done on it," Mr Sukkar said.



1.4

**PER CENT**  
How much GDP expanded for the year, equaling the worst annual growth recorded in the aftermath of the GFC

Source: ABS



8

**PER CENT**  
of executives appointed to lead Australia's top 200 companies in 2019 were women

Source: CEW



\$2

**BILLION**  
The amount of 'other' expenses taxpayers claimed in the last financial year

Source: ATO



1

**PER CENT**  
The official Australian cash rate since July

Source: RBA (Sept)



## Calls for government to end wage theft

The IPA has called for immediate action to stamp out wage theft that can occur because of a loophole in the SG rules. Where an employee salary sacrifices into their superannuation, an employer can use that additional contribution to form part of the employer's obligation to pay the 9.5 per cent SG. "While this loophole exists, wage theft can continue to take place, potentially without detection," said IPA chief executive Andrew Conway.



## IPA pushes for introduction of limited financial advice model

All Australians should be able to turn to their accountant for limited financial advice, the Institute of Public Accountants has said, pushing for the introduction of a new extended accountants' exemption. The Institute of Public Accountants has argued that the Future of Financial Advice legislation has failed to deliver affordable financial advice, denying many people access to appropriate advice leading into their retirement.



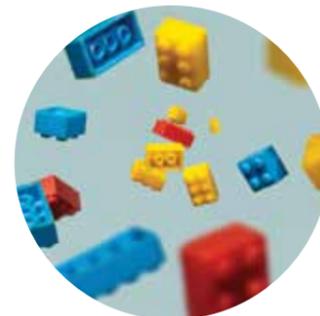
## IPA members excel at WIF Awards

IPA member Natasha Janssens and her company, Women with Cents, were awarded with the Women's Community Program of the Year at this year's Women in Finance Awards, while IPA member and director Cheryl Mallett of Vita Gustafson & Associates was named Regional Professional of the Year. These awards, presented by Momentum Media in association with principal partner AMP Bank, recognise the work of women in the financial and professional services industries.



## Inquiry into financial services extended

The Morrison government has asked the House of Representatives standing committee on economics to inquire into progress made by relevant financial institutions in implementing the recommendations of the royal commission. The royal commission highlighted widespread misconduct across the financial sector. "Commissioner Hayne made clear that primary responsibility for misconduct in the financial sector lies with the institutions concerned and their boards and senior management," said Treasurer Josh Frydenberg.



## ATO reveals top bizarre expense claims

The ATO has published some of the most unusual claims that it disallowed last financial year, including a wedding reception. Nearly 700,000 taxpayers claimed almost \$2 billion of 'other' expenses, including non-allowable items such as dental costs, child care and Lego sets. Assistant commissioner Karen Foat said that a systematic review of claims had found, and disallowed, some very unusual expenses. "These claims add up to a lot of money. If the deduction isn't directly related to earning income, we can't allow it," Ms Foat said.



## Calls for ease of regulatory burden

Former minister Bill Billson, speaking at the IPA Deakin Small Business: Big Vision conference, said that Australia is continually patching holes with more regulation. "We seem to be in a less confident mode at the moment, and it's a very risk-averse sort of culture that we have in the Australian economy. And perhaps there is a range of reasons for that, some domestic and some international," he said. "But there seems to be no problem that more regulation can't fix," Mr Billson added, calling for an easing of the regulatory burden.

## IN THE MEDIA

The IPA has actively engaged with the media on a wide range of important and pressing issues.

### Bracket creep

"Treasurers like handing back money, so by not indexing they can give back bracket creep, which makes the electorate happy. As salary and wages move up the index tables, each extra dollar incurs a higher marginal tax rate than the previous dollar."

Tony Greco quoted in Australian Financial Review

### ATO outages

"It is only a matter of time before systems go down again and there should be some blanket relief provided," Mr [Tony] Greco said. "How are they going to compensate for economic and non-economic losses that practitioners incur?"

Accountants Daily

### Retirement system review

"An essential element of this review will be to provide access to affordable financial advice, which is what public accountants, as trusted advisers, can deliver."

Andrew Conway quoted in Money Management

### Wage theft

"The need to encourage greater investment in superannuation to facilitate self-funded retirement is critical as Australia will not be able to fund government pensions in the future, especially considering our ageing population."

Andrew Conway quoted in Accountants Daily

### IN CASE YOU'VE MISSED IT!

The IPA Podcast, One Voice, is now available at [publicaccountant.com.au/podcasts](http://publicaccountant.com.au/podcasts) and on iTunes.

Check it out now!



## Over 90% of advisers pass FASEA exam

Over 90 per cent of the 579 advisers that sat the inaugural exam have passed, FASEA has announced. Unsuccessful candidates are able to resit the exam and will receive guidance on which areas they need to improve on to enhance their ability to pass at a future sitting. "FASEA is pleased with the implementation of the first exam and congratulates successful candidates on completing an important component of their education requirements under the Corporations Act," said FASEA CEO Stephen Glenfield.



## ASBFEO unveils guide to crack the credit crunch

The Australian Small Business and Family Enterprise Ombudsman has unveiled its Business Funding Guide, targeted at accountants, bookkeepers, and financial advisers to help their small business clients find the right funding. "The biggest barrier for small business growth is access to finance," said Ombudsman Kate Carnell. "This independent guide provides comprehensive up-to-date information about a range of funding options available to them, along with a step-by-step pathway to becoming finance fit"

# Small Business: Big Vision

In early September, the Institute of Public Accountants and Deakin University held a major conference focusing on Australia's flagging productivity

**ASIDE FROM** addressing the current dire economic predicament, the Small Business: Big Vision event, run by the IPA Deakin SME Research Centre on 4 and 5 September 2019, pushed for a more concerted effort to boost SME productivity.

The event brought together Australian and international experts to explore the creation of a sustainable ecosystem for SMEs, based on the five integral pillars – financial capital, innovation, regulation, trade and internationalisation, and human capital.

"While some say that small business is the engine room of the economy, we believe that is an understatement; we believe that small business is the whole factory, plant and equipment. Unless we stoke the fire beneath it, our future generations will suffer the consequences," the IPA CEO, Andrew Conway, said in announcing the event.

Keynote speakers included Michael Sukkar, Minister for Housing and Assistant Treasurer, and Kate Carnell, the Australian Small Business and Family Enterprise Ombudsman.

The full auditorium of policy makers, business people and accountants also heard from Eugene Cornelius jnr, senior adviser to the US Office of International Trade at the Small Business Administration; Dr Winslow Sargeant, former chief counsel for advocacy appointed by and reporting direct to president Barack Obama; and Charles Matthews, Fulbright Scholar from the University of Cincinnati.

## Declining productivity calls for urgent action

Kicking off the event, Mr Conway revealed that Australia has been suffering a long-term decline in productivity growth which must urgently be addressed to protect the quality of life for current and future generations.

"The productivity growth rate in Australia has declined dramatically over the past 20 years, so we need to fix this if we are to protect Australia's standard of living," warned Mr Conway.

"We need to take some of the burden away; to support small business to achieve the best that they can."

**Kate Carnell**  
The Australian Small Business and Family Enterprise Ombudsman discussed barriers to small business growth in Australia.

Speaking to the room, Mr Conway explained that while the IPA has had some successes along the way, including establishing the SME Research Centre with Deakin, it still has much work to do.

"We still have much work to do to address Australia's productivity crisis; we need government, regulators and policy setters to think 'small' first when it comes to forming policy," he said.

## Access to capital main barrier

During her presentation at the IPA Deakin conference, Ms Carnell said that access

to capital still remains the biggest barrier to small business growth.

Ms Carnell noted that despite the government's efforts and the rapidly increasing presence of fintechs, a huge gap in the small business lending space still exists.

She explained that while small business has been at the front and centre of US policy for over 50 years through the Small Business Administration (SBA), Australia is still struggling to prioritise this sector.

"They understood that you need to create an environment for small business with some support mechanisms a very long time ago," she said. "And it's something that Australia needs to do. While we're starting to realise that, we're still a mile off to the game."



IPA CEO Andrew Conway (left), Assistant Treasurer Michael Sukkar (centre) and former minister for small business Bruce Billson (right)



**Dr Winslow Sargeant**  
Winslow Sargeant was chief counsel for advocacy for the Small Business Administration (SBA), appointed by and reporting directly to president Barack Obama. Currently, Mr Sargeant is ICSB's president elect and managing director of S&T.

Follow Dr Winslow Sargeant  
[twitter.com/winslowsargeant](https://twitter.com/winslowsargeant)

Ms Carnell also raised an interesting point around government tenders, revealing that while the US government is obliged to grant contracts under \$10 million to an SME, in Australia government procurement to small business doesn't extend beyond "paperclips and sandwiches".

Acknowledging Ms Carnell's argument, Mr Sukkar said that although there is attractiveness to it, "I would have to look at it much more closely".

Mr Sukkar clarified that the decision ultimately comes down to risk-aversion because, "quite understandably, the public expects the least risk possible with taxpayer dollars".

## Exploiting US-China trade war

Speaking about boosting productivity, the Assistant Treasurer told *Public*

Accountant that small firms should be looking to exploit the opportunities arising from the US-China trade war. While Australia's relationship with the US "takes precedence over everything else", we would be silly not to take advantage of the opportunities arising from the tension between it and China, particularly in a trading capacity with the latter, said Mr Sukkar.

"I think those sorts of opportunities arise when two big gorillas, so to speak, are placing tariffs on each other's goods; you don't need to be a Rhodes scholar to work out that there is going to be great opportunities for you," he said.

Mr Sukkar expressed that Australia can simultaneously be a great ally to the US, but also a great trading partner to China.

## Advice for ATO

Touching on the vital role of an accountant, particularly in the small business community, Mr Sukkar hinted that regulators such as the ATO should be showing more gratitude and doing everything possible to assist practitioners in doing their critical work.

"As accountants are predominantly doing all the heavy lifting, I want the ATO to be more engaging with the accounting profession and do whatever it takes to better accommodate all their interactions with this government agency," said Mr Sukkar.

"Accountants and advisers are pivotal to the success of small business clients and it's not just tax matters that they are asked to assist with but a plethora of business and non-

business needs. There are few professionals who hold this trusted relationship."

Responding to the Assistant Treasurer's address, Mr Conway emphasised the significant relationship the IPA shares with the government.

"It is pleasing that Minister Sukkar as Assistant Treasurer has sent a strong signal to our profession," Mr Conway said.

"The government genuinely respects the work our members do, and this will be welcomed by all members working day in, day out to maintain the integrity of the tax system as trusted advisers to small business."

## Lessons from the US

Taking centre stage and returning to the topic of boosting productivity,



Left to right: Judy O'Connell, Victorian Small Business Commissioner; Julie Abramson, Commissioner at Productivity Commission; Tegan Johnson, director, Small Business Wellness and Support, Department of Employment, Skills, Small and Family Business; and Dr Winslow Sargeant



Assistant Treasurer Michael Sukkar



Su McCluskey, director of Australian Unity, the Foundation for Young Australians and the Royal National Capital Agricultural Society



**"THE PRODUCTIVITY GROWTH RATE IN AUSTRALIA HAS DECLINED DRAMATICALLY OVER THE PAST 20 YEARS, SO WE NEED TO FIX THIS IF WE ARE TO PROTECT AUSTRALIA'S STANDARD OF LIVING"**

Dr Winslow Sargeant suggested that there are several lessons Australia can learn from the US.

Dr Sargeant, part of the SBA from 2010 to 2015, applauded the formation of the ASBFEO in Australia, but judged that although similar to the SBA, it is does not quite operate on the same level.

He suggested Australia pay more attention to the three B's – the barriers, best practices and the big ideas – in order to really aid the

small business sector as it battles with big problems.

"Look at what the US have done to be a strong voice for small business, to have forums, to have advocates, not just in the capitals like Canberra or Melbourne or Sydney, but to have those who are around the country so that the small business owner doesn't feel that they are on the other side of the earth from their representatives," Dr Sargeant advised.

As for bridging the

lending gap, he noted that while access to finance "shouldn't be easy, as there are a lot of ideas that shouldn't be funded", the SBA's loan guarantees that enable banks to loan to small business is a method Australia could explore. So, while the US government is not directly lending money to small business, it is guaranteeing loans.

**Focus on health**

Dr Sargeant, however, admitted there is something Australia does better and that is its focus on mental health.

"My first company that I co-founded, I actually took sick. I came down with a bad case of bronchitis and I wasn't treating it because I was so focused on my

**Eugene Cornelius jnr**  
Mr Cornelius was responsible for the establishment of the SBA's Office of International Trade and previously, as deputy associate administrator of that office, overseeing four program divisions.

business. I wasn't exercising, I didn't go to the doctor and it became full blown asthma. I almost died," he said.

"So, I say to people who are starting companies, I know stress. Make time for your mental health, make time for your physical health, because it's no good to be successful, make money and whatever, and then you're not alive."

Also discussing the importance of mental health awareness was Deakin's Professor Andrew Noblet, who suggested that accountants are key in helping small

business owners to access the help they need.

"Having an accountant who is much more ambidextrous and much more versatile in the services they can provide, and providing general guidance around problem solving, around strategic planning, around even workforce planning, someone who can do more than just the audit and compliance services, is incredibly valuable," said Professor Noblet.

He explained that it is crucial for accountants to have specific knowledge in this area.

**Part of the curriculum**

Asked whether mental health first aid should become a part of the

accounting curriculum to ensure accountants are better equipped to respond to mental health issues faced by their clients, Professor Noblet said that anyone executing face-to-face human service work needs to have that sort of schooling.

"In the past we've seen human services such as doctors, nurses, police officers, teachers, and certainly those people need that training around mental health literacy..." he said.

"But I think there is a really urgent need for mental health literacy training to be included in undergraduate and postgraduate accounting courses and law courses, and other courses where you have professionals interacting with the public."

**Progressive entrepreneurial mindset**

As day two came to an end, Vicki Stylianou, the executive general manager of advocacy and technical at the IPA, explained that, aside from small business, accountants too must have a "progressive entrepreneurial mindset" to get the ball rolling on boosting productivity.

"I think we need to have a sense of urgency. We just don't have that hunger to go out there and compete, achieve and be successful," Ms Stylianou said.

She explained that in the US there is more of a sense of urgency, a dominant 'yes, I can do this' spirit.

"To me, that's what's lacking here. So, there is a

role for accountants and advisers to really start changing that mindset," Ms Stylianou concluded.

"I really think that if we don't get on with it in this country, then we're just going to keep falling further behind."

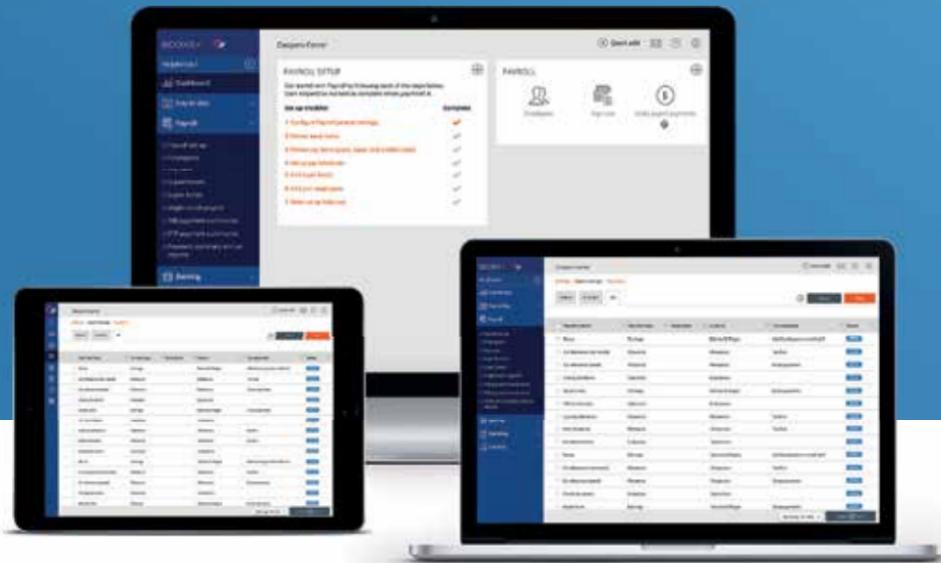
Dr Sargeant agreed. He explained that what he has seen in the SME community in Australia is "yes, we will do it, we are teachable, but it's not on the forefront".

They need to say, "we're going to be on the forefront, not just to be part of the pack, but to be on the forefront."

"Yes, some of us may not make it, but we're going to go ahead and see where things will go." 📌



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## Sir Seaman Kwok

We congratulate IPA member Sir Seaman Kwok on his recent conferral as a Knight of Rizal of the Philippines



UPFRONT  
Member snapshot



**Knights of Rizal**  
The Order of the Knights of Rizal is the sole order of knighthood in the Philippines. Its ranks and insignia are recognised in the Honors Code of the Philippines as official awards of the Republic and is the Eighth Class Rank in the order of precedence of civilian decorations of the Orders, decorations, and medals of the Philippines.

**A FELLOW** member of the Institute of Public Accountants, Sir Seaman Kwok was conferred as a Knight of Rizal of the Philippines on 14 June 2019, an honour received only by individuals of good character and reputation.

The Order of the Knights of Rizal was created to uphold the ideals of national hero Dr José Rizal. Since its founding, the Order has grown to more than 25,000 members belonging to 131 active chapters in the Philippines and 61 active chapters around the world.

"I have to, as usual, uphold and implement and further promote good corporate governance and regulatory compliance for and to my clients, business associates and professional partners so that they can do and serve justice in all corporate decisions and activities," Sir Seaman said.

An executive director and the head, corporate secretarial Boardroom Corporate Services (HK) Ltd and a director of Boardroom Share Registrars (HK) Ltd, Sir Seaman has over 30 years of extensive legal, corporate secretarial and management experience gained from working with overseas and Hong Kong-based companies.

Moreover, he was the managing director of a top-notch financial printer

in Hong Kong with international affiliation and an independent non-executive director of a company listed on the Main Board of the Hong Kong Stock Exchange.

His vast resume is adorned with several records. Namely, Sir Seaman was the youngest company secretary of a 33 Hang Seng Index (HSIC) stock company in 1991 and is the first holder of a professional diploma in corporate secretaryship and administration awarded by Hong Kong Polytechnic University to be admitted as an associate and a fellow of The Institute of Chartered Secretaries and Administrators in England. He was also the youngest and longest-serving elected council member of The Hong Kong Institute of Chartered Secretaries.

Sir Seaman has been a director of a charity fund in Hong Kong since its incorporation in 1992 and is an independent non-executive director of a company listed on the GEM of the Stock Exchange of Hong Kong and a member of the Executive Committee of Federation of Share Registrars Ltd.

Sir Seaman's extensive achievements were recognised in 1999, with an induction into the International WHO's WHO of Professionals. He has also been instrumental in making the regulators

review and amend the Hong Kong Listing Rules in many respects since the late 2000s.

Regarding the future, he said while he plans to continue his current professional career, he is still "energetic to accept any new and challenging role that requires my knowledge, experience, skill and connections."

"However, I plan to reduce work gradually at 65 until retirement, though I wish to continue participating in charitable activities on education, writing articles and co-authoring books on corporate governance and regulatory compliance and serving listed or non-government organisations as independent non-executive directors," Sir Seaman said.

Despite all of his professional responsibilities, Sir Seaman still finds time for his hobbies. And to add to his successes he is an award-winning singer.

"I like playing badminton, watching YouTube, television, reading and meeting friends during leisure.

"Besides, I also like singing and have won a number of singing contests organised by my employing groups. No doubt, I treasure the time that I spend with my family when I am free," added Sir Seaman. 📍

# Open banking: What is it and how will it benefit SMEs?

Open banking is now here, having been passed by Federal Parliament. But what does this new legislation mean exactly, and what does it really mean for Australian SMEs and consumers?

| By Adam Zuchetti |



**OPEN BANKING** is the common term for the Treasury Laws Amendment (Consumer Data Right) Bill, which was passed in Canberra on 1 August 2019.

Introducing the bill's second reading in the lower house on 24 July, Treasurer Josh Frydenberg proclaimed that "with this bill, Australia becomes a world leader in implementing an economy-wide right for consumers to access and use data that businesses hold about them".

"This important reform will provide individuals and businesses with a right to access data relating to them and to authorise secure access to their data by accredited data recipients," he said. "It will also enable data about products on offer to be available in machine-readable form."



## OPEN BANKING IN THE UK

Open banking regulations took effect in the UK in January 2018. The new rules were mandated by the UK's Competition and Markets Authority to address the lack of competition in the banking sector for individual and SME customers.

In August 2018, KPMG asked 1,000 SMEs for their views on open banking, testing their willingness to share data with a third party under 13 different scenarios. What they found is that opinion is polarised and UK SMEs fall under three distinct types of customers, each with different appetites for open banking.

● See KPMG survey.

KPMG also found that banks in the UK needed to do more to inform customers about what open banking is and what it can do for them.

Moreover, SMEs told KPMG that better ways to operate their business accounts, manage invoicing or organise their tax affairs are just some of the operational efficiencies that might persuade them to adopt open banking. Other benefits are less attractive. Offers and discounts informed by past spending, promises of group discounts for bulk purchases by similar businesses, or banking linked with insurance products, have little or no appeal.

The bottom line is, SMEs seek time, efficiency and cost savings but they will not tolerate being sold to.

## RESULTS OF KPMG SURVEY

42

PER CENT

### STEADY CONSERVATIVE

Limited appetite for open banking: The 'steady conservative' makes up 42 per cent of respondents. They are typically low-growth, small and simple businesses

28

PER CENT

### MODERATE MAYBE

Some appetite for open banking. The 'moderate maybe' accounts for 28 per cent of respondents. These are relatively low-growth, mid-sized businesses

30

PER CENT

### OPEN FOR BUSINESS

Good appetite for open banking. 30 per cent are 'open for business'. These high-growth, sophisticated and larger businesses, typically in manufacturing, technology, media and telecoms (TMT) or financial services, are likely to adopt or pay for open banking

Mr Frydenberg continued: "The consumer data right is a game changer for consumers and small businesses. It will enable consumers to better harness their data for their own benefit. The consumer data right is a fundamental structural reform that will drive competition and improve the flow of information around the Australian economy. And the right will incentivise Australian entrepreneurs to develop new products and applications that reach more consumers and are better tailored to their needs."

The Treasurer added that, for SMEs, the new laws will "allow for more effective budgeting tools that can deal with data in real time and help them manage their cash flow and working capital more effectively than they can do today".

### What does it mean for you?

In essence, consumers and SMEs will be better able to

shop around for the best and cheapest financial products and services, as the new provisions make it easier for them to access data such as their repayment histories to show prospective providers. Consumers will also have more direct control of which companies and bodies are given their personal and financial data – and on what terms. According to KPMG partner Brett Watson, open banking will enable Australian fintechs and smaller financial services providers better scope to compete against the major players.

"Open banking of a more limited scale already exists in the UK, India and several European nations. We are already seeing some fantastic innovation in these markets from apps that enable users to aggregate and manage financial accounts across multiple providers, to sophisticated

yet nimble SME lending services," said Mr Watson.

"Banks and others are also using the opportunity to understand new and existing customers better, make faster and better-informed credit decisions, and enable easier switching."

Budgeting platform Moneytree called the introduction of open banking "a defining moment" for Australians – both consumers and businesses.

"The Consumer Data Right gives all Australians the ability to direct the use of their data on their terms for their best interests. It will also enhance data privacy and security, as explicit consent is required to share data," its executive director and CTO, Ross Sharrott, said.

"[It] will transform how individuals and businesses value and use data, and will enable organisations to take the innovation and personalisation of services to an unprecedented level.

"While banking will be the first industry to implement the CDR as part of the move to open banking, the CDR will eventually be applied across the entire Australian economy. Forward-thinking organisations should start considering how they can incorporate the CDR into their business strategy."

Anna Bligh, head of the Australian Banking Association, said Australians will now find it easier to "get a better deal".

"Empowering customers with the ability to use their data to drive a better deal on banking products has the potential to dramatically increase competition and foster innovation across the industry," she said.

"Passing this legislation for the Consumer Data Right provides the foundation for these reforms to be delivered".



Adam Zuchetti  
editor, My Business,  
Momentum Media

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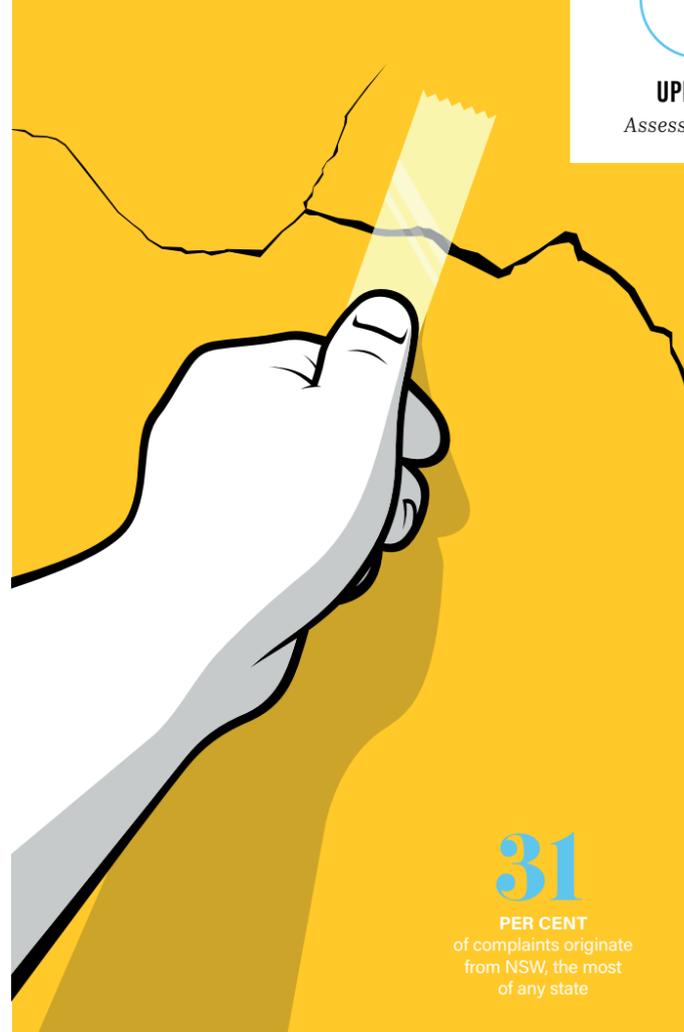
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Across Australia



**35**  
THOUSAND  
complaints received

**60**  
PER CENT  
of complaints resolved

**74**  
PER CENT  
of complaints resolved  
by agreement or in  
favour of complainant

**21**  
THOUSAND  
banking and finance  
complaints received, or  
61 per cent of total

**63**  
PER CENT  
of banking and finance  
complaints were  
resolved

**67**  
PER CENT  
of complaints received  
related to the four  
largest banks

**3**  
THOUSAND  
superannuation  
complaints received

**47**  
PER CENT  
of superannuation  
complaints were  
resolved

**66**  
PER CENT  
of complaints were  
resolved by agreement or  
in favour of complainants

interference, David Locke, the organisation's CEO, told *Public Accountant*.

The good news, however, is that in its short life cycle, AFCA has helped consumers and small businesses obtain over \$83 million in settlements, satisfying its role as an independent dispute resolution system.

#### Long journey

But, restoring trust and fairness to a fractured financial services sector is a much bigger job than ruling on individual complaints. It requires the efforts of a large number of stakeholders, says Mr Locke.

"Addressing this challenge is a monumental task. For trust to be rebuilt it will require a significant and concerted cultural change by financial firms," he explains.

"Some financial firms have responded positively, and we have seen huge changes. However, there are still a significant number that have not."

AFCA's vision, Mr Locke says, is to help financial firms across the board improve their practices, raise standards and embed a new ethical culture focused on the customer.

And in its bid to right the many wrongs brought to the surface by the royal commission, AFCA is working with financial firms to help them identify complaints earlier, address any complaint trends or common issues and provide training on how to resolve complaints effectively through internal dispute resolution processes.

"Transparency is key in this transformation and we have made significant changes in the way we report our data and decisions to make them more accessible to the public," he says.

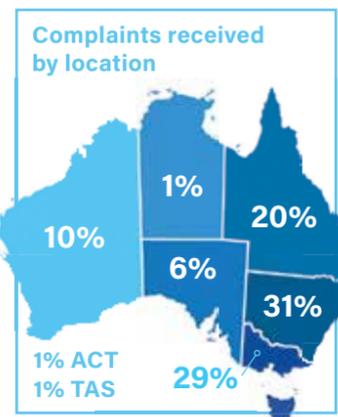
But, Mr Locke admits, the number of complaints AFCA is seeing suggests there is still a long way to go.

Choice chief executive Alan Kirkland agrees, calling for a concerted effort from government and industry.

He, however, says that the need for a fiercer approach doesn't take away from the noteworthy job AFCA has done to date.

"AFCA has done a remarkable job in a very short period of time, to replace two former ombudsman schemes with a new body with a broader remit and a significant increase in complaints," Mr Kirkland says.

"I for one have been pleased to see AFCA speaking calmly and strongly about the problems that it is seeing through complaints, and I hope that it will continue to do so."



**31**  
PER CENT  
of complaints originate  
from NSW, the most  
of any state

## Mending the broken

Following a higher than expected volume of complaints in its first six months of operation, AFCA now anticipates it will receive 80,000 complaints by its first birthday

**THE AUSTRALIAN** Financial Complaints Authority (AFCA) has proven itself as a consumer centric organisation and judging by the number of complaints received in its first six months of operation, the public has reciprocated the trust.

In its six-month report, issued mid-year, AFCA reported receiving 35,263 complaints, topping the combined average of the

predecessor schemes by over 35 per cent. Based on the current volume, AFCA now anticipates it will receive 80,000 complaints in its first year – a 25 per cent increase on its initial forecast.

But, success for AFCA translates into a declining number of complaints. This would mean that financial firms are resolving their complaints successfully, without the need for

According to AFCA, the number of consumers and small businesses who made complaints in each state or territory was relatively consistent with that state or territory's population.

And as expected, banking and finance complaints made up 61 per cent of the total number of complaints received. The top issue under this category is credit reporting, which includes consumer credit profile grievances, with 2,282 complaints received.

Superannuation complaints accounted for only 9 per cent of the total

complaints. This, however, was more than double the number of superannuation complaints that AFCA had initially expected.

The top superannuation issue related to incorrect fees and costs, with 416 complaints received.

#### Small business

AFCA received 2,133 complaints from small businesses in its first six months, and awarded \$5 million in compensation to this category. In February 2019, AFCA moved forward in its pledge to help small businesses by

appointing an inaugural lead ombudsman Geoff Browne GAICD.

"The appointment of a dedicated lead ombudsman for small business is an important step in ensuring that AFCA understands small business needs relating to financial services and works collaboratively with small businesses and financial firms to resolve issues," AFCA said at the time.

AFCA's specific focus on small business has been applauded by many, with the Institute of Public Accountants earlier voicing their willingness to work

with the new authority to ensure its success.

From 1 July 2019, AFCA also saw its jurisdiction expand to accept complaints about conduct dating back to 1 January 2008.

This move has also been hailed as a win for small businesses battling for fairness in a systematically flawed sector.

But, although the optimism that proceeded AFCA's launch can still be strongly felt, going forward AFCA's success largely depends on the input of various stakeholders, particularly the financial firms. 📍

### 2019 NOTICE OF ANNUAL GENERAL MEETING



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THE VINES ROOM**  
CORNER OF BOTANIC AND HACKNEY ROAD  
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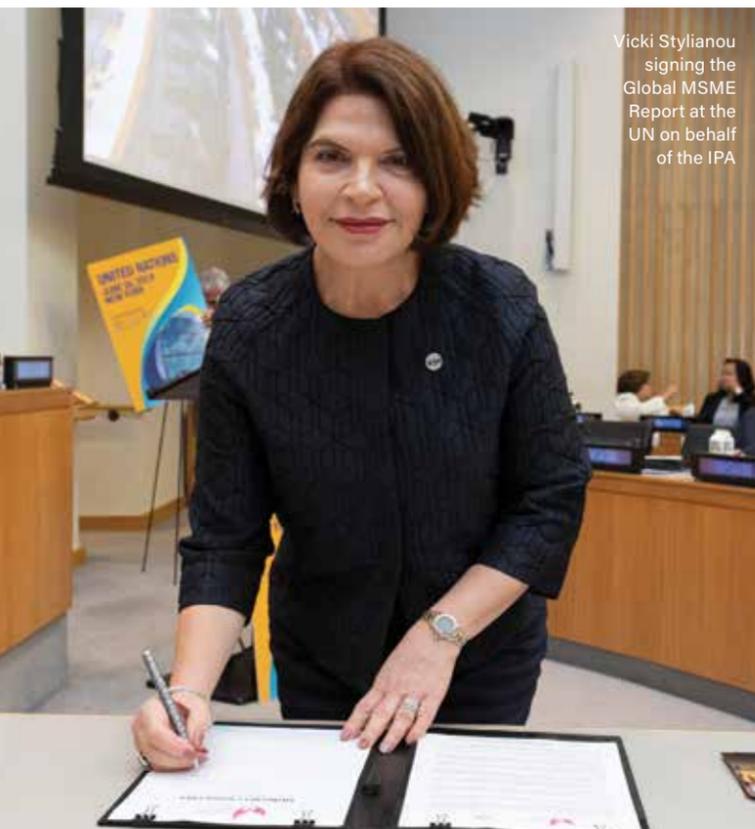
**IPA HEAD OFFICE - ATTENTION CEO OFFICE**  
**POST**  
LEVEL 4/555 LONSDALE STREET MELBOURNE,  
VICTORIA 3000  
**E IPACEO@PUBLICACCOUNTANTS.ORG.AU**

#### BUSINESS

1. To confirm minutes of the previous Annual General Meeting held on Wednesday 31st October 2018.
2. To receive, consider and adopt the audited financial statements for the financial year ended 30 June 2019.
3. To consider other business that may be lawfully brought forward.

BY ORDER OF THE BOARD OF DIRECTORS:

A J CONWAY FIPA FFA  
Company Secretary  
& Chief Executive Officer



Vicki Stylianou signing the Global MSME Report at the UN on behalf of the IPA



World MSME day 2019  
United Nations celebrates World Micro, Small and Medium-sized Enterprises Day in New York on 27 June.

small businesses contribute over 40 per cent of workers, over 44 per cent of new jobs, 30 per cent of GDP and over 97 per cent of all businesses are small businesses.

However, much more can be done to make small businesses improve productivity and become more prosperous. Becoming more innovative and focusing on exporting are two areas where small business can make a greater effort and reap more rewards. Studies show that innovation and exporting do in fact lead to greater job creation and higher profitability. In general, this makes them more sustainable and more prosperous over the longer term.

How do we achieve these goals? A more enabling environment to assist the development of MSMEs and the achievement of these goals is the result of evidence-based policy and regulation. Many lessons can be learnt from other countries and global organisations such as the United Nations and the International Labour Organisation.

The International Labour Organisation states that a more enabling business environment will be created through a strengthened voice of MSMEs to influence policy making. This theory has great appeal to the IPA, which has been practising this for quite some time. In many countries, such as Egypt, we are seeing these beliefs and practices being put into effect. What does a more enabling business environment entail? It means that we must collaborate with

other stakeholders which have a similar cause, such as employer organisations. Building strong relationships with government and other representative bodies is just as important if we are to strengthen MSMEs through advocacy and improved service delivery.

The results include an increased voice for MSMEs with representation at major national fora; improved access to relevant business development services; formulating evidence-based policy reform proposals on behalf of MSMEs; and strengthened dialogue with private sector counterparts based on more evidence-based advocacy. Continuing the theme from my last article on policy making around the world, it is interesting to

97

PER CENT  
of all businesses are small businesses

review what evidence-based policy advocacy looks like and what methodologies are used to support the formulation and development of robust policy recommendations and advocacy. The EU and UN use various methods that have been developed and applied. Two of these are noted below.

The MSME Business Barometer looks at MSME barriers at a certain point in time and tracks all changes. It is used to identify and propose solutions to reduce or remove major business barriers based on trend

analysis. Surveys are used to collect relevant data.

The SME Test is used to assess the impact of proposed legislation on SMEs. In Australia, we use the Regulation Impact Statement with a specific small business impact statement. However, its rigour has been questioned over many years. In the SME Test, an assessment is made of the impact of new or amended regulations on SMEs before they are adopted. It compares costs that SMEs incur as a result of the new regulations with the expected benefits. It also considers the possible mitigation measures for reducing the effect of new regulations on MSMEs. It focuses on reviewing policy proposals and extensive consultations with SMEs and their representatives.

The end result should be robust and rigorous policy development. However, processes for implementation, monitoring, review and amendment where necessary, should also be applied. We should always remain open to changing or abolishing regulation and legislation that is no longer fit for purpose. It is ironic that in a world of disposable consumer items, we seem to hold onto old laws a lot longer than we should. ●



Vicki Stylianou  
executive general manager,  
advocacy and technical, IPA

## Making life better for small business

On 27 June each year we celebrate World Micro, Small and Medium-sized Enterprises (MSME) Day. This date was announced by the United Nations in 2017 as a way of raising public awareness of their contribution to sustainable development

| by Vicki Stylianou |

**THIS INCLUDES** the importance of MSMEs in promoting innovation, creativity and 'decent work' for all, as well as achieving the goals of the 2030 Agenda for Sustainable Development. The initiative to have a day declared by the United Nations as a world day to celebrate MSMEs was championed by the International Council for Small Business (ICSB), which is the global body representing small business. The IPA is represented on the ICSB board and attended the United Nations in New York on 27 June 2019. It was indeed a day of great celebration to acknowledge and applaud the contribution made by MSMEs all over the world.

In Australia, as in many other countries, there is much to celebrate. For instance,

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# What makes a professional body?

It's an interesting question and I know we will all have differing views so I can only hope in writing this piece that I, in fact, remain professional and am not shot down in flames

WHEN IT comes to politics, it is often cited that government is only as strong as its opposition. I think historically, that has been the case. I wonder though whether that is still the case as government and opposition blur the policy lines. But when it comes to what a professional association stands for, I never tend to think of government.

So, when it comes to professional associations, I would argue that the professionalism of the organisation is only as good as the professionalism of its members. While I have worked in many organisations, private and government, I can honestly say I have never worked in an environment that simply oozes with professionalism as the IPA;

chiefly because it is focused on its members, underlying organisational values and the quality of its members.

Sure, one may be sceptical and say I am towing the party line and, after seven years of service, I am rusted on. However, as a journalist and as an individual, I also have my own code of ethics. As a professional, I abide by them.

There are many definitions of professionalism and if you are unsure, Google your heart out. Regardless of the words and definitions, I think every individual needs to take ownership of what being a professional means to them.

### Professionalism takes its toll

Our members are constantly under attack of the red tape militants. The regulatory burden, for themselves and their clients, remains an issue. The IPA constantly advocates for reform that reduces the regulatory burden for its members and small business.

However, as IPA CEO Andrew Conway often says,

**"OUR MEMBERS ARE CONSTANTLY UNDER ATTACK OF THE RED TAPE MILITANTS"**

cutting red tape necessitates legislative change and that may mean, at times, that two new pieces of red tape are created. Having said that, the IPA's advocacy team continues the good fight.

The IPA recognises the fact that a professional body must also act in the best interests of the public. From my observations over the past seven years, I am not just confident that this is the case, I am astounded by the passion of our members that drives this common cause.

### But professionalism is also your umbrella...

The IPA's quality assurance (QA) and compliance

processes do not exist from a big brother, judgemental factor. The processes are designed to protect members by making sure all is running well, obligations are met, the best interest of clients is preserved, and to retain their professionalism. In fact, we want all of our members to exceed expectations and raise the bar, not for the IPA, but for themselves and for the clients, employers and businesses they serve.

I challenge anyone who does not want to be a part of a quality organisation when given the choice. Quality moves beyond professionalism (behavioural), ethics (a moral code) and vision (what we aspire to be as an organisation and as an individual).

If a member under QA review is struggling due to a misunderstanding or an unwitting mistake or time constraints, the IPA is more than happy to help until the standards we should aspire to are met. Unfortunately, some apples fall far from the tree and there are those who

deliberately do the wrong thing. The IPA is not the place for them.

### Why is this all so important?

Maintaining a high level of standards; meeting legislative and regulative obligations; and currency of knowledge and skills in an ever-changing competitive and technologically driven world, gives members the edge over the rest. It also protects the integrity of the profession as a whole and this is the umbrella for all that sits beneath it.

Integrity ensures accountants keep the honoured and respected status of 'trusted adviser'. This status should never be taken for granted, particularly when research informs us that trust is on the decline globally.

The integrity of the profession and the solid standard held by accountants in the community amplifies our advocacy voice. Yes, that means that IPA members contribute to our advocacy efforts by maintaining the trusted and respected role they play with their clients, employers and businesses.

Advocacy is not an easy game in our political and socioeconomic environment. However, together, and being on the same page, we can set the scene of discourse to push for positive policy outcomes for the profession and the economy. As Winston Churchill once said, "A kite flies against the wind, not with it".



**Wayne Debernardi**  
general manager, media and strategic communications, IPA

# Pay it Forward

The South Australian town of Gawler will be among the first of a wave of regional Australian communities to receive free digital phone services under an innovative 'Pay it Forward' scheme. The world-first initiative funded by telco Connexus, owned by Australian-founded MNF Group, will provide free digital phone services to local SMEs for 12 months. In exchange, the local businesses are being asked to 'pay it forward' and spend with other businesses in their local community.



## Fujitsu next-gen Cyber Resilience Centre in Canberra

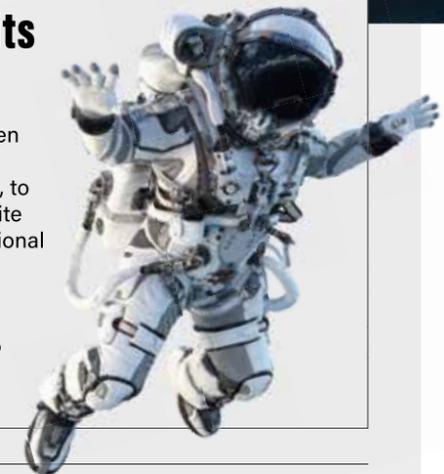
Fujitsu has announced the launch of its security operations centre in Canberra to provide cyber security services across Oceania. The next-generation Cyber Resilience Centre provides a centralised model for the management of new core security-as-a-service offerings and the continuous delivery of end-to-end security services for Fujitsu's customers.

**\$5.7**

MILLION  
the contract awarded to Inovor Technologies to produce a space situational awareness prototype

## Australia upping its space awareness

A \$5.7 million contract has been awarded to Adelaide-based company Inovor Technologies, to deliver a prototype nanosatellite that will enhance space situational awareness. This investment will continue to expand Defence's growing space capability and has potential to contribute to the global space surveillance network.



## Augmented reality recruiting

Tech giant Accenture said earlier this year it will be using technologies such as augmented reality and virtual reality to attract more diverse talent and develop more inclusive hiring processes. The hope is to use immersive technologies to find out more about the skillsets of candidates without the addition of human bias from assessors at early stages of the process.



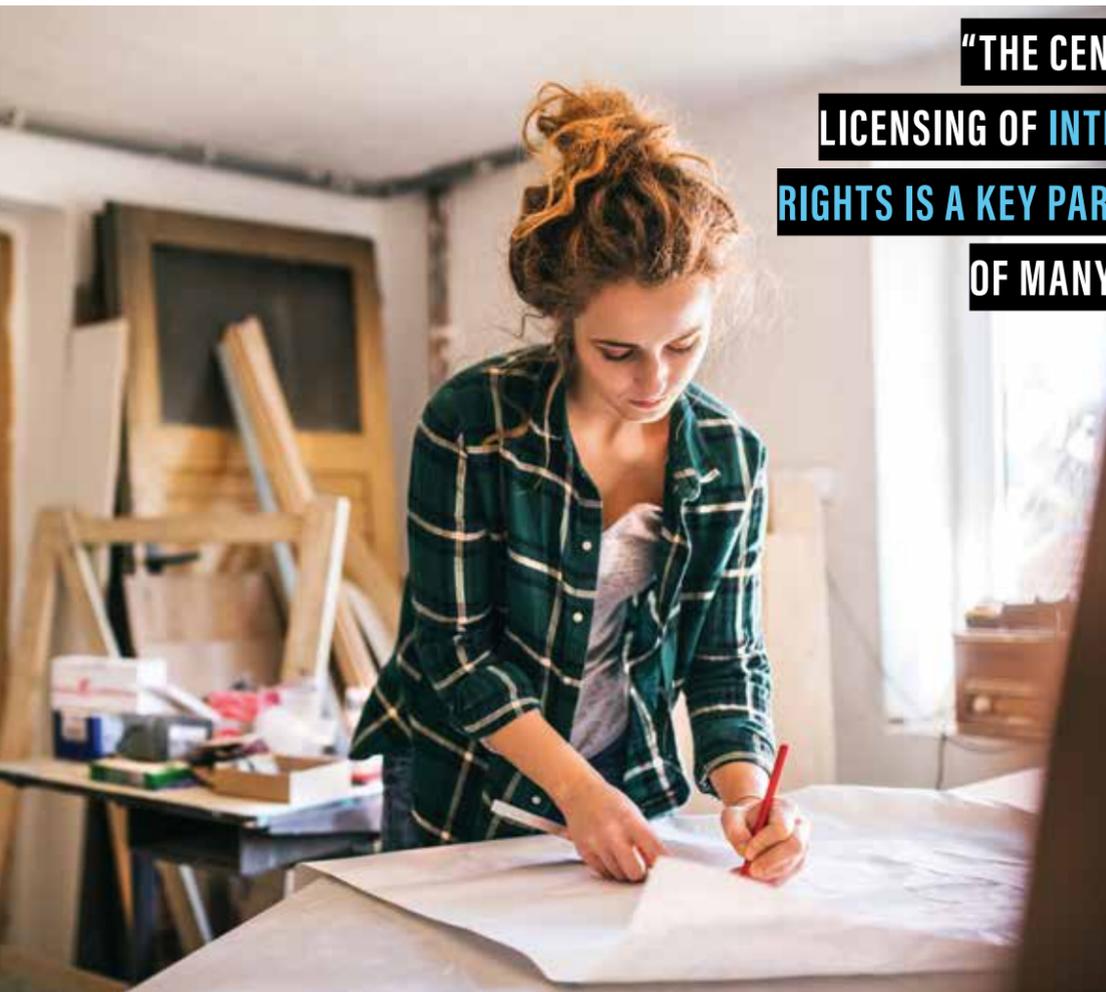
**\$2.4**

MILLION  
the contract awarded to Carbon Revolution to produce carbon fibre helicopter wheels



## Government backs Carbon Revolution

Victoria-based company Carbon Revolution has been awarded a \$2.4 million contract to develop the world's first light-weight carbon fibre wheels for the Boeing CH-47F Chinook helicopter. If successful, this technology could improve the efficiency and performance of the CH-47F Chinook.



**"THE CENTRE STATES THAT THE LICENSING OF INTELLECTUAL PROPERTY RIGHTS IS A KEY PART OF THE OPERATIONS OF MANY SMALL BUSINESSES"**

**The latest on the IPA's advocacy work**

The IPA has been busy lobbying the government on behalf of its members, their small business clients and employers. We bring you an abridged version of the latest IPA submissions

**IPR revamp brings legal uncertainty for small business**

The IPA-Deakin SME Research Centre maintains that although publication of the guidelines on the repeal of subsection 51(3) of the *Competition and Consumer Act 2010* will greatly assist in understanding the application of the law, it will bring legal uncertainty to small business.

In its submission on the draft guidelines, the centre states that the licensing of intellectual property rights is a key part of the operations of many small businesses and that the repeal of section 51(3) would significantly

impact them, exposing them to greater legal uncertainty regarding their intellectual property agreements, rights and obligations.

The centre says that the draft guidelines are stated to be "for the general guidance of legal practitioners and business advisers", but are too complex to assist small business. Therefore, the ACCC should publish a guide for small business that explains the key concepts in simpler terms. The centre also strongly encourages the ACCC to more widely publicise this significant change in policy – which has received no significant media attention – so small business can seek necessary advice.

**Letters of engagement**

The Institute of Public Accountants (IPA) agrees that the Tax Practitioners Board (TPB) draft practice note (PN) D40/2019 includes enough detail to provide members with a level of comfort as to what's required in an engagement letter. Also, demonstrating the need for an engagement letter, regardless of the Code requirements, was well communicated in the PN.

The agreement between a service provider and client that sets out the agreed terms and conditions of the engagement, when

presented in the form of a letter, is sometimes referred to as an 'engagement letter'.

The IPA maintains that in PN clause 7, the last sentence should include text lifted from APES 305 para 3.5 as some members will not use a formal engagement letter but use a flyer or leaflet. This needs to be spelt out so members know these communication mediums are also fit for purpose.

Therefore, the IPA has suggested that the last sentence in clause 7 should read: "As such, the TPB strongly encourages the use of written agreements – for example, a formal letter or agreement, a standard format handout, brochure, leaflet or electronic communication covering the services offered – as a means of avoiding uncertainty and misunderstandings and to assist in compliance with the Code."

**IPA concern over IAASB exposure drafts**

IPA has submitted extensive comments on the following International Auditing and Assurance Standards Board (IAASB) exposure drafts:

- Proposed International Standards on Quality Management 1 (Previously International Standards on Quality Control 1) – Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (ISQM1);
- Proposed International Standard on Quality Management 2 – Engagement Quality Reviews (ISQM2); and

**IPA's advocacy work**

For full listings of the latest IPA submissions visit [www.publicaccountants.org.au/news-advocacy/submissions](http://www.publicaccountants.org.au/news-advocacy/submissions)

- Proposed International Standard on Auditing 220 (Revised) – Quality Management for an Audit of Financial Statements (ISA220).

The IPA is not convinced that ISQMI represents a significant improvement over the existing ISQCI. Its concerns include that risk management practices of assurance service firms are not subject to enough public accountability; that a risk management approach to quality control in an assurance context is prone to incorrect risk estimation; and that a risk-based approach to quality systems may not be effective in a practical sense.

The IPA has also questioned the absence of any mandatory responses in the resources component of the quality system, and believes the IAASB should be moving to pre-empt the practice by further enhancing the role of the EQR.

**Compo scheme inadequate, says IPA**

The IPA submission to the federal government's review of the Scheme for Compensation for Detriment Caused by Defective Administration (the CDDA scheme) maintains that the current CDDA scheme is not fit for purpose and falls short of the expectations of the tax practitioner community, particularly where the monopolistic nature of ATO technology fails to deliver.

The CDDA scheme allows government agencies to pay

discretionary compensation when a person or organisation has suffered as a result of defective administration and there's no legal requirement to make a payment. According to the government, the review has been specifically commissioned to consider the operation by the Australian Taxation Office (ATO) of the CDDA scheme in relation to small business.

The IPA submission focuses on the inadequacy of the current CDDA scheme for its members, who are largely tax practitioners operating small businesses.

The IPA believes that the CDDA scheme does not compensate tax practitioners for opportunity costs or reputational damage caused by systems being unavailable or deployment of new systems where there are major operational flaws. This leads to few claims being lodged by practitioners.

Specifically, the inadequacy of the CDDA scheme falls upon the ATO's narrow interpretation as to what constitutes "defective administration", which prevents legitimate claims for tax practitioners to be rejected.

Therefore, the IPA recommends that the government implement a fairer and more accessible CDDA scheme where tax practitioners are entitled to compensation where there are reasonable grounds and non-economic losses.

**Collective Bargaining Class Exemption**

The IPA-Deakin SME Research Centre believes that although the Class Exemption objective is to simplify (or even remove) the administrative burden for

small business when seeking authorisation of collective bargaining conduct, it's unlikely that small business will be able to do this without legal assistance.

Given the introduction of the new prohibition against concerted practices, small business may be reluctant to rely on the Class Exemption without advice confirming it is applicable. They may then have to rely on ACCC advice in the absence of legal advice.

Also, many small businesses wanting to benefit from the Class Exemption may only read the instructions for the Collective Bargaining Class Exemption Notice and not the longer Guidance Note. Therefore, the centre suggests:

- The notice clearly outlines that collective boycott is not covered;
- The notice explains what needs to be done if one of the proposed members of the collective bargaining group does not meet the 'eligibility requirements';
- There is clarification on the issue of who is responsible for determining if eligibility requirements are met; and
- The notice clearly states the obligation to lodge the notice with the ACCC within 14 days.

From a small business perspective, the centre raises a few points that need further clarification, such as: where members of the group don't meet eligibility requirements; where members of the group share commercially sensitive information; how the ACCC will monitor the risk of substantial lessening of competition; and the role of trade or industry associations. 📍

THOMSON REUTERS

# Technological change: disrupter or enabler?

## Using technology to become the adviser of tomorrow

Interview discussion with Peter Antonius, Managing Director at The Hive Advisory facilitated by Michael Horton, Head of Market Development, Proposition & Customer Success at Thomson Reuters at the recent CPA Tech Exchange.

### Rate of technological change

Technological change may be the biggest disrupter in the accounting market and industry, but according to Peter Antonius, it's providing a golden opportunity for the future of accounting.

“We're quickly recognising that technology is both a disrupter, but it's also an opportunity for us to use it in a way that better enables us to do the things we need to do, to service our clients and hopefully free up our time to do other things in our lives.”

So, let's look at the prime technological changes – the Cloud and practice management solutions.

### Take me to the Cloud

Where once there was a reluctance among small practices to consider moving to the Cloud, that's all changed in the last five years, reflects Antonius.

It seems now everyone is open to adopting Cloud technology.

For good reasons. It provides security over backup, and security over ensuring you've got the latest version of the software you've subscribed to. And it frees up physical office space.

“These days most people should be looking at the Cloud rather than a desktop, on-premise type of solution,” advises Antonius.

### Practice management solutions

The other game-changer in the technology sphere is practice management solutions that maximise the efficiency of small practices.

“Everyone's looking for the 'connected practice,’” says Antonius, where all the management systems are linked in an 'ecosystem'.

It's this integrated ecosystem that Thomson Reuters has designed for small practices, based on demand from practitioners – the first customer to sign up for the new **Onvio** practice management system found \$2,000 of unbilled time!

“So, that more than paid for the cost of the system!” said Michael Horton.

### Time and money

The benefit of these technological changes is that it's not just money that's being saved.

“The dividend from all this is time,” says Horton.

So, the challenge is where to re-invest that time, to make the most of it for your practice?

Focus your new time on running your practice better – and better serving your clients, that's where the technology can add value, says Antonius.

“Compliance will still be part of practice, but it's more critical than ever that the compliance process is as effective and efficient as possible.”

Focus on the things you're good at, he implores. “Do what you do best and draw on the expertise of others to create a holistic advisory service.”

### Rate of regulatory change

After technological change, the second greatest disrupter for the accounting profession is regulatory change.

With a federal tax system that's reportedly the most complex in the world, that's not surprising.

So how do firms stay on top of the changes for their practice and their clients, and find the right answers?

Antonius took these questions to Thomson Reuters to develop one consistent, standardised source of technical information through the **Checkpoint** platform, easily accessible by staff across the national firm, anytime, anywhere.

And the benefits? Once again, time and adding value.

Thomson Reuters' **Onvio** tax product integrates this content into both the software and workflow solutions in a practice, and the recently launched **Tax Audit Alert** software will alert the user to issues in the tax return that may attract an ATO audit.

“Using intuitive software that can help the adviser better do their tasks. That's really the future, isn't it?” says Antonius.

### Changing client expectations

“What we're seeing now is that our clients want us to be available often when it suits them. It can be any hour any time of the day.”

### Pivot to deliver advisory services

With this change in client expectations, Antonius says the time has come to stop underservicing your clients and to take advantage of your role as trusted adviser to push more to offering advisory services to add value.

But how do the firms pivot to be able to deliver those services successfully? “That's where the data, the technology and the systems all come into play,” explains Antonius, allowing you and your staff more informed time with your clients, to help them run their business.

“Ask questions, have quarterly meetings, walk the floor of your clients' business, find the pain points, be the business coach and mentor for your client,” he advises

### And the future is?

Bright, according to Antonius, for those who are ready for the challenge to leverage technology and move into the world of advice.

“The people that can change and embrace advice and advisory offerings will be the ones that will succeed.”

Written by Virginia Ginnane,  
Tax Writer at Thomson Reuters



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**Senator Jane Hume**

Ms Hume held various senior positions in the financial services industry before entering politics, working for NAB, Rothschild Australia, Deutsche Bank as well as AustralianSuper.

# JANE HUMIE

## *Australia's first fintech minister*

Jane Hume almost took an entirely different path and chased a career in accounting, but she put number crunching on the backburner to pursue politics

| by Maja Garaca Djurdjevic |

**B**orn and raised in Melbourne, Ms Hume completed a Bachelor of Commerce at the University of Melbourne, later returning to study political science. After several senior positions in the financial services industry, Ms Hume was appointed as a senior policy adviser at AustralianSuper, before entering the Senate in 2016.

Today, Ms Hume is the Assistant Minister for Superannuation, Financial Services and Financial Technology. But despite abandoning her initial plan to be an accountant, Ms Hume still has great respect for the profession.

*Public Accountant* recently spoke to Ms Hume about her new role in Prime Minister Scott

Morrison's cabinet. She candidly shared her views on innovation, super and women in Parliament, revealing that the Liberals are not big fans of being told what to do.

**Q. The fintech ministry role has been hailed a great step forward for fintechs, especially given your financial services experience. You are the first minister of this type in Parliament, meaning that you are responsible for charting your own waters, does this make the job more challenging?**

It certainly makes the job more exciting. Clearly, fintech is the Prime Minister's baby. He went to the UK on a trip in 2017 and saw open banking at work over there. He came back with a

determination to implement something similar here. He was even more ambitious and decided the Consumer Data Right (CDR) that he envisioned was going to be an economy-wide CDR, and not just for banking.

We already had a burgeoning fintech community here and he established a fintech advisory panel, but it was really being run out of the innovation, industry and science portfolio, rather than Treasury. So, this is a really amazing opportunity to bring together the work that has been done both by the industry portfolio and the Treasury and put some resources behind what is now a fledgling, but really exciting industry in Australia.



**“THERE IS THIS FABULOUS STATISTIC: TWO OUT OF FIVE AUSTRALIANS STILL USE THE SAME BANK ACCOUNT THEIR PARENTS SET UP FOR THEM.**

**WHEN I READ THAT I ACTUALLY LAUGHED, AND THEN I REALISED, ‘OH MY HEAVENS, I’M ONE OF THEM’”**

**Q. You said earlier that the banking sector should beware of more tech-led competition. You also made it clear that you are not pro-bank or anti-bank, how do you propose to help the fintech community develop and evolve?**

Competition in the financial sector leads to the best consumer outcome. More consumer engagement with their financial products and their financial services is the key to driving that competition. And the CDR legislation is evidence of that, which we have only really just passed. So obviously the CDR helps consumers use financial technology like comparison apps to make sure they are getting the best possible deal from their banks.

We’ve been doing an awful lot of consultations recently. We have been

holding round-tables across the fintech ecosystem, listening to the views of fintechs across all aspects of financial services, payments, lending, super, the neobanks, but also in the regtech area, these hub communities like Stone & Chalk and YBF have been very helpful in that.

We have spoken about an enormous range of issues, including the regulatory environment, access to market, access to capital and skills, so there is an awful lot of policy options that have been discussed in that area. I am really looking forward to working with the industry, but also working with my colleagues in the ministry to ensure we have the right policy settings, not just in the Treasury portfolio but across the government, to build a really vibrant fintech community.

**Q. Previous budgets have not been favourable to the industry. Can we expect change next year?**

I actually deny the premise of the question on that one. I think previous budgets have been very favourable to this industry. I think we’ve got quite a good track record when it comes to supporting the fintech industry. Particularly over the last government. The National Innovation and Science Agenda had \$1.1 billion investment in the innovation ecosystem just in the last four years alone.

It has led to things like tax arrangements for early stage venture capital limited partnerships, that have helped venture capital investments in fintech proliferate. We have also legislated crowdsourced equity funding for both private and public companies.

The UK-Australia Fintech Bridge is an amazing innovation that is helping Australian fintech companies into the UK market and facilitating the UK fintechs to bring their products to Australia by aligning the regulatory regime. We introduced a restricted ADI licensing regime, which allows APRA to grant a time limited licence to new entrants in the banking sector, and the RBA’s new payment platform was launched quite recently, supporting that instant interbank payment. So, there has actually been an awful lot going on in this space.

And if you put CDR on top of that, which starts with open banking, but will roll out to other sectors including energy, telecommunication, superannuation ... We’ve also got an enhanced regulatory sandbox coming up, which will allow more businesses to sort of test their financial services products and their services without a licence for a period of 24 months, rather than 12 months.

And then of course the other legislation we have coming up is the comprehensive credit reporting regime. Now that’s going to give lenders access to a much deeper and richer set of data that will enable providers to better assess a borrower’s true credit position and their ability to pay a loan. It will also benefit consumers who will be able to, far more easily and readily, demonstrate their reliability to get better deals on financial products as well.

There is an awful lot going on in this space.

**Q. There is a direct correlation between regulation and innovation, how do you plan to improve competition in financial services and make it easier for new entrants to get up and running?**

The CDR stuff I think is fascinating. At the moment, less than one in five Australians that have a credit card or a home loan switch providers within a five-year period. And in fact, there is this fabulous statistic: two

**\$1.1**

**BILLION**  
was invested into the innovation ecosystem in the last four years via the National Innovation and Science Agenda

out of five Australians still use the same bank account their parents set up for them. When I read that I actually laughed, and then I realised, “oh my heavens, I’m one of them”. That is 7 million Australians who have never switched their basic transaction account. So, the system is clearly not as competitive as it can be, because those that do switch make significant savings. I think the statistics are something like, on average, Australians save around \$200 a year by switching their credit cards and over \$1,000 a year by switching their home loan.

If we can make life easier for consumers, make it much easier to switch, the reduction on cost of living

pressures can be quite substantial, and the CDR will allow Australians to do that. They get access to their own financial data, so if they want to switch home loans or credit cards all they have to do is ask their bank to provide them with the data they need in a one-click passage, they don’t have to go through all the complex paperwork that was required for an application... So, there is an awful lot to be gained there.

**Q. Frameworks such as open banking are said to help ensure Australia is supporting innovation. Where are we at with this and what significance will open banking have to the community?**

The complex application process is one of the great barriers stopping people from shopping around. But if we can provide an option that is a single click process when you’re switching financial service providers, then that really empowers consumers to use comparison tools that can

“

*I do not come to this place with political pedigree nor a reputation that precedes me. I have no media profile. I have never worked at a think tank. And, although I am intellectually curious, I am not a philosopher. I come to this place with high hopes – but I am a realist, a pragmatist and a workhorse. Before politics I had a 20-year career in banking, finance, investment, economics and superannuation. I am here to improve the lives of others by implementing practical, commonsense policy and legislation that will reflect the knowledge I have gained from the real, commercial world. Like many of my colleagues, I pride myself on being an economic ‘hardhead’, never forgetting that every dollar the government spends is the hard-earned product of the labour of its citizens.*

**Jane Hume**  
Maiden Speech  
31 August 2016

help them get a better deal that will foster a far more competitive and more future looking fintech and financial services environment.

That should give far better outcomes to consumers. At the moment it’s the effort and the cost, and also the lack of understanding the information that has created that financial inertia, but the benefits are clear. Once people understand the power of CDR, it will make it so much easier for everybody to find the best deal that is tailored to them.



## WOMEN IN PARLIAMENT

**Q. I read an earlier interview where you said that women should work their way into the Liberal Party on merit. Malcolm Turnbull recently said that the Liberal Party has an obvious women problem and requires reform to assist more women into Parliament. Do you plan to push for the introduction of a gender quota?**

This is such a contentious issue within the Liberal Party, because by their very nature Liberals are a) democratic, and b) hate being told what to do... And while I do have a number of colleagues that do support gender quotas, and we do speak about this passionately, but sensibly. It is not a divisive issue, but one that is important to address. My theory is that there are other ways, better ways of improving the numbers of women within the Liberal Party ranks.

I think that we can look at alternative pathways, through things like succession planning, formal mentoring programs. There are better ways of doing it without inflicting an outcome upon a bunch of preselection delegates who value the democratic right to choose their representatives.

Imagine an election where they said you can vote for any party you want, but the prime minister has to be

female. People would be outraged, wouldn't they? And that is essentially what a gender quota within the Liberal Party would do. It's quite similar.

So, I think there are better ways to improve the number of women in Parliament, but it does need a collective will. It needs to start with leadership, both in the parliamentary wing and the organisational wing.

Look, the good thing is we have seen a significant number of women coming into the Parliament in the last election, some really good quality candidates, quality members of Parliament. People like Angie Bell, Fiona Martin, Celia Hammond and Katie Allen. They have really raised the bar on the calibre of women we have in Parliament. It's terrific.

We also have a cabinet that has a record number of women in it. I think that a lot of the accusations that are levelled at the Liberal Party are a little outdated.

Beyond that, there is a security aspect. No one really seems to be talking about it just yet, but I think it's going to become more and more important. You can ask the bank to provide all the relevant data to whatever it may be, a credit fintech company or a comparison app that can provide you with personalised information about what your best options are, but you don't have to go through that screen scraping technology that exists at the moment.

Comparison apps already exist, but to use them you have to provide full access to your banking data, your passwords, and that puts you at an enormous risk of theft and hacking, and you are also potentially contravening your bank's terms of service, but you're inadvertently voiding all the legal protection that your bank can provide if you are defrauded. That unregulated sharing of data actually disadvantages consumers at the moment.

**Q. And the current timeline for the implementation of open banking?**

The first accounts will be available in February next year. They will be very basic accounts, an almost trial period. I would imagine that open banking, like in the UK, will be a slow burn. By the middle of next year, there should be access to credit products as well, rather than just basic deposit and transaction accounts. But I think it will take a little while before the fintechs take advantage of CDR and also consumers take advantage of the companies that they can use the CDR

# \$200

The estimation that Australians save each year by switching their credit cards and over \$1,000 a year by switching their home loan, according to Jane Hume

to access. It is a really exciting and transformative change. But evidence suggests it will take a while to catch-on, because it is so revolutionary.

**Q. On the super front, while we are debating increasing the SG from 9.5 to 12 per cent, we have not defined or enshrined into law the purpose of superannuation. Will the resolution of this issue be dependent or linked to what we want super to achieve?**

Defining the purpose of superannuation was actually a recommendation of the Murray inquiry and it was something that was considered at the time. I think David Murray suggested that the objective to superannuation is to provide an income in retirement to substitute or supplement the aged pension. That was his interpretation of the objective of superannuation. It became quite a contentious issue.

There are an awful lot of voices in this industry and a lot of them have vested interests in a particular outcome. And there were an awful lot of suggestions that maybe we needed to talk about things like what an adequate and comfortable retirement looked like, and all of a sudden, the objective of superannuation started being overlaid with



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subjectivity, which sort of overtook the debate.

What I think is far more important is to make the superannuation system more efficient, cost effective, remove those duplicate accounts, make sure that people aren't being charged excessive fees, ensure that people aren't paying excessive premiums for insurances that they don't want, need or possibly don't even know they have.

There is an awful lot that can be done to make the superannuation system more efficient without getting into an ideological debate about what its purpose is, because it means something different to everybody.

**Q. There has been commotion among the public over the constant tinkering with super rules. What can be done to stop ad hoc changes and prevent undermining confidence in the system?**

The PM made it really clear before the election that there were going to be no adverse changes to taxation and superannuation under his government.

On top of that, the Productivity Commission recommended a review of the retirement income system and that was in advance of that legislated increase in superannuation guarantees to 12 per cent. So, the Morrison

government has already put it on the record that we're inclined to conduct that review and we're considering the details of that review right now, the terms of reference, and there will be a bit more to say on that in due course. But yes, you are right, I think that people should have confidence that the money they have put away for their retirement will be there when they need it.

**Q. Our audience is particularly interested in the financial services licensing of accountants. Are you prepared to say anything about the potential changes, especially given the review into the Tax Practitioners**

**Board, which seems to be pre-empting the possibility for change?**

The review of the TPB is already underway and it is actually the first review of the Tax Practitioners Board since it was established. So, at the moment the public has been invited to make submissions to that current discussion paper.

My understanding is that the report will be provided to government at the end of October and then it will be considered carefully and the government will respond. Now, I don't want to pre-empt the outcomes of that review or the government's response to any of the recommendations. It's very early days. 📌

# BRUCE BILLSON

## *Small business to pave the way*

Former small business minister Bruce Billson retired from Parliament in July 2016, but he never quite departed the small business space

| by Maja Garaca Djurdjevic |

**A** small business owner himself, Mr Billson runs a consulting firm that helps SMEs navigate government and big business, while also occupying a director's role at Aussie challenger Judo Bank. But his engagement in the community doesn't stop there. Mr Billson is a vital part of the IPA Deakin Research Centre, which brings together practitioner insights with world-class research, providing informed comment for substantive policy development.

Recently, *Public Accountant* spoke to Mr Billson about his work with the Institute of Public Accountants (IPA), his time in government and at the Franchise Council of Australia (FCA).

**Q. Tell us a little about your work with the IPA Deakin Research Centre?**

My relationship with Deakin is twofold. One, I'm the director of small business and enterprise in the faculty of business and law, which is a part-time role reflecting my ongoing desire to do things that are supportive of small business.

The second component relates to the IPA Deakin Research Centre, where I chair the advisory council and support the centre with industry engagement, market intelligence, relationship building and strategy. It is a role I enjoy very much. The Institute of Public Accountants and Deakin University have a very positive and meaningful relationship.

It spans professional development and training, and supports the continued efforts of the IPA to work with its members and to represent the leading edge and best practice in accountancy and related professions.

**Q. You spearheaded the Abbott government's SME agenda and recently we saw the return of small business to cabinet. Do you think the Morrison government is on the right path in regard to its work in the SME space?**

I think small business is very much front and centre of the Morrison government's forward agenda. I am pleased that some years ago I was a key part of making sure everyone

**Bruce Billson**

Mr Billson entered into politics in 1996 and served as the minister for small business from 2013 to 2015.



understood just how crucial the contribution of small businesses is to the Australian economy, what a real driver of opportunity and employment prospects they are.

Small business is important to the fabric of all communities across Australia. That means that the entrepreneurship that we see through small and medium enterprises, and even the micro businesses, is a key factor in growth, improved living standards and prosperity for the future. I think the government is reflecting that in its decision to have small business as a cabinet portfolio, a position I pioneered. The government is crafting much of its policy agenda with small business very much top of mind.

**Q. Small business has had a tough year, what would you recommend policy focus on going forward?**

I think the best thing to do is to listen with purpose and with an open mind to the small business community.

The thing I noticed most in government is that many of the challenges and opportunities faced by sectors such as agriculture or mining have a certain similarity. The beauty of small business is its great diversity. You see small business men and women engaging in the economy right across many different elements, in different ways and looking for something that is working for them.

So, when you listen to the small business community, they will give you a very clear sense of what sort of headwinds they are experiencing. They are not looking for handouts, they are not looking for kicks. They are just looking for a fair opportunity to succeed.



**"I THINK THE BEST THING TO DO IS TO LISTEN WITH PURPOSE AND WITH AN OPEN MIND TO THE SMALL BUSINESS COMMUNITY"**

Governments can hopefully take the wind out of the face of small business and put it at their back, removing some of the obstacles that are standing in their way.

The government needs to always be open to the actual experience of small business in order to understand where policy renovation and innovation is needed. That is really what the research centre is all about, that link between understanding and researching what is going on in the small business economy.

The key questions include things like how is greater internationalisation impacting small business; what's the story about accessing finance; is regulation giving small business the legitimate opportunity to establish itself and take up the fight to big businesses; are they spending a disproportionate amount of time on compliance and regulation; and, what is the wellbeing of the small business operator.



**Q. How much has changed since your time in government, particularly in terms of the focus on small business?**

I think it's been a positive trend. I know when I was shadow minister with the previous government, there was a sense that small business wasn't top of mind, wasn't really a leading factor in policy formation. At times small business was thought to be a shrunk version of bigger businesses.

That is not the case. The particular challenges that small business face are very immediate and can be quite different from larger enterprises. They need to be addressed in their own right to make sure the innovation, the economic growth, and I suppose the prosperity and vitality of the Australian economy, are constantly renewed and nurtured.

For small business, it is not a 'set and forget' policy, there is a need to constantly look for new ways to provide the entrepreneurial ecosystem

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Bruce Billson was a keynote speaker at the IPA Deakin Small Business: Big Vision conference held in September

that makes prospects of success more likely.

No government can make a small business succeed, but there are plenty of things governments can and need to do to make sure that every opportunity is available for small business entrepreneurs to succeed and to thrive.

**Q. In terms of access to funding, we know that this is a very big struggle for the small business community, how do we fix this?**

I am pleased that some of the work that the IPA undertook, that I have been involved in, is very much at the forefront. The SME white paper that Deakin and the IPA produce every two years, focused on finance and argued for a securitisation vehicle. It has been very persuasive and it is a credit to both Deakin and the IPA. The research centre was able to do the research and bring the rigour of analysis and the clarity of policy proposals forward, which saw government embrace the recommendations.

Interestingly, the government then wanted to find that SME lenders could benefit from such an

initiative, where essentially the government would buy up a loan portfolio, properly secured, very robust in its risk rating and its performance, but in doing so generate another pool of capital that could then be on-lent to SMEs looking for finance.

That is a very practical measure that the IPA has been in the vanguard of advocating. The government is doing it and now they're looking to small business financiers, like Judo Bank, to discuss how to operationalise the idea to the benefit of small business.

**Q. Moving to your time at the FCA, what are your thoughts on the probe into the sector that has left many claiming it is a failed system?**

I love franchising. I think franchising done well is the best form of entrepreneurship going around. To be in your own business but not on your own. It is actually a model of entrepreneurship that can see a whole lot of expertise, specialist skills in capacity, market knowledge, brand development, pricing. I mean a whole lot of wisdom that most small businesses

Mr Billson is presently director of small business and enterprise and advisory council chair at the IPA Deakin SME Research Centre.

cry out for can be brought into a business at an early stage and improve prospects of success.

I am incredibly optimistic about that. What I am also seeing is that the regulatory environment and the enforcement framework is very comprehensive in Australia, but we are still seeing examples where participants in the franchise sector haven't functioned and performed to the standards that are expected of them. We need to have decisive regulatory responses to that. We need the enforcement agencies to do what they are there to do, to make sure the codes are properly enforced. It's also about ensuring that people thinking of investing in a franchise business understand the relationship they are contemplating entering into.

So, franchising is not for the Richard Branson free ranging entrepreneur, nor is it for a business that wants everything to be done for them. It is more your barn laid hen entrepreneur, with its bumper rails that allow them to bring their entrepreneurial A game, while being empowered by the know-how and expertise of the franchise system.

I think the probe has shown – not withstanding the very comprehensive regulatory, compliance and enforcement framework – that what's expected of key participants in the franchise sector hasn't been fulfilled. The redress and dispute

resolution haven't been handled in the way that they should have been.

It is also a reflection of the pointy end of what many small businesses are facing in the general economy. The bottom line is, if you don't move with and understand the changes, and respond in a way that sees the value you provide renourished and almost reinvented, the business is going to fall behind.

**Q. Given the current economic slowdown, what do you predict for the next 12 months?**

I am optimistic, because small business men and women are optimistic. And whether you look at things like the G20 agenda, everyone is talking about the key catalyst to lifting rates of economic growth and the opportunities for livelihood and prosperity.

All of those conversations bring you back to the small business community, where people are solving problems every day and creating new forms of value. Some of the big businesses looking to grow are now looking at small business for advice.

There is a change in the way finance is being made available, interest rates are conducive, consumers are increasingly discerning and technology is opening the door to a world of delicious possibilities, of millions of new customers. Those new market opportunities are delicious. But again, they need careful thought, and that is an area where the IPA and Deakin are doing some work.

So, I am optimistic, I don't see any free runs. I think the days of sloppy margins are behind us. ☺



# Masters of our DESTINY

The revolution of new technologies and the future of work have been written about and discussed for decades. It is a subject that has deeply troubled many. And as automation evolves and manual labour across certain industries declines, people are becoming genuinely afraid of the future

| by Maja Garaca Djurdjevic |

Accountants are no exception. Distinguished scholars, world-renowned journalists and professors have had their heads down, analysing the implications of the ongoing technological revolution on jobs, working conditions and income.

The truth is, we are in the midst of rapid economic globalisation, but is the future really so bleak? Are the robots coming? Are we at the mercy of invading algorithms?

"If your job can be easily explained, it can be automated," Anders Sandberg, of Oxford's Future of Humanity Institute, told Andrés Oppenheimer, whose book suggests that no one is safe as the robots close down on bankers, lawyers, doctors and even entertainers.

Mr Oppenheimer's book was inspired by a prediction by none other than the University of Oxford, which said that 47 per cent of US jobs are at risk of being replaced by robots and artificial intelligence over the next 15 to 20 years. But Oxford is not alone. Experts across the globe are expecting a third of the global workforce to be automated by 2030.

"A lot of people assume automation is only going to affect blue-collar people, and that so long as you go to university you will be immune to that," says Martin Ford, author of *Rise of the Robots: Technology and the Threat of a Jobless Future*. "But that's not true, there will be a much broader impact."

And while it's easy to think that these authors

are feeding the beast, i.e. preying on the robophobic, research papers by reputable institutes are putting forth similar predictions.

McKinsey Global Institute's latest report, *Australia's automation opportunity*, suggests that unemployment could spike by up to 2.5 percentage points as a result of the expected automation of up to 46 per cent of jobs in Australia by 2030.

McKinsey actually suggests that powerful new automation technologies such as machine learning, artificial intelligence (AI) and advanced robotics have already started to transform the Australian economy and are set to reach scale in the decades ahead.

Furthermore, the institute continues that

while automation is sure to change the nature and mix of Australia's jobs, it will also pose skills and equity challenges across sectors, occupations and regions.

"Without retraining for vulnerable workers, especially administrative and manual workers and those in vulnerable regions, income inequality could widen by up to 30 per cent," the report says.

So, change is imminent. But what can we do?

#### AI strategy

The Australian Council of Learned Academies (ACOLA) recently issued a report, *The effective and ethical development of artificial intelligence*, suggesting that AI also has abundant benefits, including the capacity to enhance wellbeing.

But, while strategic investment in AI development is considered crucial for future national growth, ACOLO exposes that Australia has yet to develop an AI strategy.

To remedy this, it recommends several steps, including the creation of a community awareness campaign, safe and accessible digital infrastructure, a responsive regulatory system, and a diverse and highly skilled workforce.

“What is now urgently needed, I think, is a national summit on AI – involving politicians, policymakers, business leaders and industry representatives and people from the broader community,” says Professor Anthony Elliott, member of the expert working group at ACOLO.

“This can help us consider how Australia might best fashion a common framework for the ethical development of AI, both in our country and internationally.”

Professor Elliott and his team are also recommending targeting skilled AI developers from overseas and bringing them to Australia to bolster the industry.

“What kind of society do we want to be? That is the crucial question for all Australians, and for governments as our elected representatives,” Australia’s chief scientist Alan Finkel says.

#### Reorienting lives

Dean of Melbourne Business School Ian Harper said

at a Centre for Economic Development Australia (CEDA) panel event in Melbourne in June, that as a country, Australia has always been concerned about the distributional aspects from changes like automation. He noted deliberate government intervention can be used to make it possible for people to reorient their lives.

“I can’t imagine that in this day and age, frankly, a party of either political persuasion would be allowed to get away with the government just turning its back on this sort of massive transformation,” he said.

Mr Harper made another interesting point, suggesting that as we face the uncertainties of an automated future, older workers could be the key to the transition.

“People are lurching into the labour market. Why? Because jobs growth is strong. Who’s coming back in? More women, but increasingly people over the age of 55,” Mr Harper said.

In 2018, the workforce participation rate for Australians aged over 65 was 13 per cent, up from 8 per cent in 2006, according to the Australian Institute of Health and Welfare.

And research from McKinsey predicts that if productivity gains are properly distributed, automation will actually benefit Australians, adding trillions to our economy and up to \$15,000 to workers’ incomes by 2030. McKinsey

**“WHILE THERE IS A CONTINUED FOCUS ON TECHNOLOGY AND THE RISE OF AI, WE MUST NOT FORGET THAT AI CANNOT REPLACE EMOTIONAL INTELLIGENCE; THAT HUMAN INTERACTION IS THE POINT OF DIFFERENCE FOR THE PROFESSION”**

also reveals the possibility of a boost in the annual rate of productivity growth of anywhere between 50 per cent and 150 per cent if Australia adopts automation technologies very rapidly.

“Our overall perspective here is that automation holds great promise in rekindling the kind of growth that delivers better living standards for Australia, higher wages, more consumer choices, higher standards of life and quality of living,” McKinsey & Company associate partner, Hassan Noura told a CEDA audience in Melbourne.

Mr Noura pointed out that there’s no shying away from the fact that automation, like many other previous waves of structural and technological change, will be disruptive.

“It will destroy some jobs, but I think it will also change profoundly almost every other

job regardless of whether it is a new or existing job,” he said.

“This is not unprecedented for Australia. We’ve seen this with the embrace of globalisation, with the embrace of the internet and technology.

“So, we’ve done this before, and we’ve done it relatively successfully, in a relatively inclusive way.”

#### How about accounting?

Accountancy is an age-old profession, thus bringing automation into the mix has changed what clients expect from the services they pay for as well as the way accountants work.

But there is no time for denial, accountants need to learn to swim because the flood of automation is coming.



1/3

of global workforce to be automated by 2030

of the IPA Group, Andrew Conway, following the World Congress of Accountants in Sydney late last year.

IPA’s chief executive told the audience that there is not one part of society or the economy where accountants do not have a positive impact.

“Accounting is so much more than audit and compliance; the accounting ecosystem places much greater emphasis on a much broader spectrum,” Mr Conway said.

He, however, cautioned that as a profession, accountants don’t do enough to sell the fundamental value they deliver to the economy.

“We must collectively also recognise the social value contribution of accountants. While there is a continued focus on technology and the rise of AI, we must not forget that AI cannot replace emotional intelligence; that human interaction is the point of difference for the profession.

“As a profession, we must own and respect the position of trust invested in us,” Mr Conway urged.

He called on professional accountancy organisations to step up, lead and embrace change, remain open-minded, train the next generation of accountants and ensure the profession is well resourced for the future challenges ahead.

“Simply put, there is too much at stake. Our trust position requires us all to step up,” said Mr Conway. 🗣️

are taking the lead and using the information gained from automation tools to have deeper and more insightful conversations with their clients on a regular basis.

“We need to be embracing all the challenges and fundamental learnings today,” Ms Calleja advises.

“This isn’t a sprint to the finish line, it’s a marathon that will always change its course and we must be of the mind that we too need to be on the front foot to upskill or retrain on the technology that complements the human intellect of accounting.”

#### The world does not function without accountants

“Simply, the world does not function without accountants,” said the CEO

But, Liette Calleja, director of All That Counts, assures that while fundamental changes are afoot as new technologies take hold, AI is not about replacing your bookkeeper or accountant.

“AI is not at the stage where it doesn’t require human intervention from a finance professional who is an experienced user of the technology,” says Ms Calleja.

“Clients’ expectations have evolved in general and they want to work with accountants/bookkeepers who can deliver a service that is better and faster. Better and faster is achieved by using AI technology.”

She reveals that this has been recognised by a number of her clients, who

A few years ago, analysis from Accenture predicted that robotics will automate or eliminate up to 40 per cent of transactional accounting work by 2020.

And they were right. PwC, for example, already employs a robo-auditor RON, that analyses millions of transactions, relationships and patterns in moments, even interpreting the results, before flagging interesting findings to the team to explore.

“In effect, technological innovations are freeing up our skilled workforce to spend their time on higher-risk aspects of the audit and provide more insight and analysis than ever before,” explains Sue Horlin, human capital leader at PwC Australia.

## Timeline of artificial intelligence

**1921**  
The term ‘robot’ is first introduced to the English language

**1939**  
Elektro, a humanoid robot who could smoke cigarettes, debuts at the World’s Fair in New York

**1941**  
The Three Laws of Robotics is formulated

**1950**  
Alan Turing develops the idea of machines that think

**1955**  
The term ‘artificial intelligence’ is coined



**< 1966**  
Shakey the Robot was the first general purpose mobile robot invented

**1978**  
SCARA, an articulated robot arm, is developed for assembly lines



**< 1986**  
Honda creates the EO, the first humanoid robots that walk on two feet

**1998**  
Kismet, a robot that interacts emotionally with humans, is invented

**2000**  
There is an estimated 742,500 industrial robots in use worldwide



**< 2012**  
An estimated 8.7 billion devices are connected to the internet

**2014 >**  
Amazon launches the virtual assistant Alexa



**2016**  
There is an estimated 1.8 million industrial robots in use worldwide



**> 2016**  
Amazon makes first drone delivery in UK

**2019 >**  
There is an estimated 2.6 million industrial robots in use worldwide



**2030**  
AI is estimated to contribute up to \$15.7 trillion to the global economy

# Trade provides the ballast for RELATIONS with CHINA

While diversification is sometimes presented as a simple fix to apparent economic over-dependence on China, no amount of hoping will make India the 'next China'. And despite the risks, two-way trade with China provides the ballast when politics gets rough

| by Professor James Laurenceson, acting director of the Australia-China Relations Institute at UTS |

In an address to Asialink, Prime Minister Scott Morrison noted that two-way trade with China last year stood at a “remarkable” \$215 billion, one-quarter of Australia’s total trade.

But what is even more remarkable – or some might say alarming – is that last year China delivered more than one-third of Australia’s trade growth. Take wine exports as an example, which last year rose by \$260 million. Two-thirds of that can be attributed to connoisseurs in China.

Or tourism: in the 12 months to March 2019, inbound tourist expenditure leapt by \$2.2 billion. Half of this came from the wallets of Chinese visitors.

For many Australian businesses there is no other market that is capable of delivering like China can. Many worry this means China looms too large in determining Australia’s fortunes.

In a recent Lowy poll of public opinion, three-quarters of respondents agreed with the statement that “Australia is too economically dependent on China”.

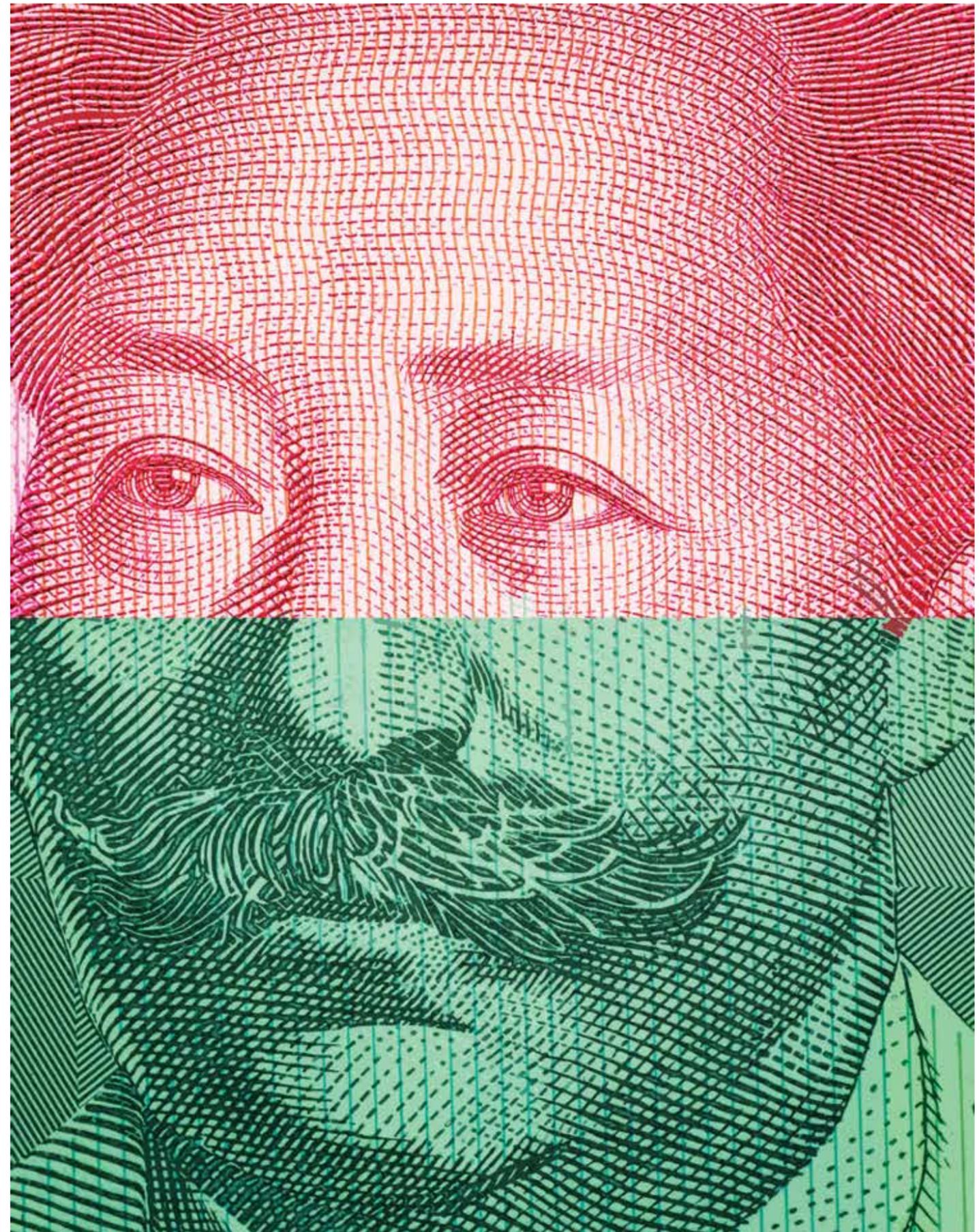
Diversification is sometimes presented as a simple fix. Striking new trade agreements with countries like Indonesia and helping to improve infrastructure in the region to open up new markets to Australian goods and services is valuable.

But trade is mostly driven by economic complementarities and

purchasing power, not elected officials or bureaucrats sitting in Canberra.

No amount of hoping will make India the ‘next China’. Last year, an Australian government report set an ambitious target to triple Australia’s exports to India from \$15 billion to \$45 billion by 2035. Meanwhile, China is already buying \$136 billion.

And while there will be bumps along the way, the Australian government’s own forecasts point to China adding more new purchasing power out to 2030 than India, Indonesia, Japan and the US combined. This perhaps explains why some commentators have taken to advocating more interventionist approaches.



**Lai-Ha Chan, senior lecturer at the Social and Political Sciences Program at UTS, puts forward an argument in her recent paper that Canberra should avoid choosing one side at the expense of another**

MS CHAN makes the case that as a middle power, Australia should use 'strategic hedging', a combination of engagement and indirect/soft balancing strategy, to insure itself against the potential of China's regional domination amid uncertainty about US strategic commitment to the Asia-Pacific region.

"Australia should continue its economic engagement with China and maintain its robust political and military ties with the US while seeking the opportunity to broaden the breadth and depth of its relations with other regional states," said Ms Chan in her article 'Australia's strategic hedging in the Indo-Pacific: a 'third way' beyond either China or the US'.

**What is hedging?**

According to Ms Chan, hedging is insurance - that is, insuring against a negative event or expected shortfall. In the field of international relations, she explains, hedging can be broadly defined as a strategy composed of "engagement and integration mechanisms" on the one hand, and "realist-style balancing in the form of external security co-operation" on the other.

**What to hedge and insure against?**

Ms Chan says that broadly speaking, there are three different scenarios Australia seeks to hedge and insure against. They are:

1. China's regional domination;
2. Economic insecurity and downturn due to shrinkage in trade and investment; and
3. National security threats.

**Under-hedging**

And most importantly: "The essence of strategic hedging is to not choose between China and the US but instead to bring more partners to Australia's side," says Ms Chan. She points out that the fear of China's regional domination has grown out of two sources:

1. China's growing hard power and assertiveness; and
2. The unpredictability of the Trump administration and its abdication of US global leadership.

And, in sum, with regard to the hedging spectrum, Australia's current hedging policy is 'under-hedging', concludes Ms Chan.

She reveals that Australia's weakest links are in the failures to institutionalise the Quadrilateral Security Dialogue (Quad) and to enmesh regional powers, notably India and Indonesia.

"Without enlisting more emerging powers solidly to its side, Australia is often sidelined by other three members of the Quad and it is quite alone in the Indo-Pacific region. Seen in this light, this paper concludes that Australia is far from over-hedging but is in fact slightly under-hedging," Ms Chan said.

**Conclusion**

Ms Chan concludes that the strategic discussion and thought within the country is still clouded by the less helpful debate on whether Australia should align with China or the US, while it should in fact be focusing more energy towards exploring the 'third way' of how to reach out to regional powers closer to its home.

**QUAD**  
The Quadrilateral Security Dialogue is an informal strategic dialogue between the US, Japan, Australia and India that is maintained by talks between member countries.



In November last year, Peter Jennings, the executive director of the Australian Strategic Policy Institute, said that the Australian government needed to explain to state governments, businesses and universities "why there should be limits to building economic dependence on an authoritarian state".

In a report mid-year, Charles Edel and John Lee of the United States Studies Centre said, "The United States would like Australia ... to lessen its commercial dependence on China."

They described the status quo as a source of American "frustration". The authors themselves argued in favour of "active diversification".

But while the US Department of Defense has signalled a leading role for Australia in hosting more of its military assets as part of a new *Indo-Pacific Strategy Report*, there is no constituency in America that is interested in underwriting

Australian jobs by buying our iron ore or beef.

Nor are Australian interests relevant to President Trump's calculations as he seeks to cut a trade deal with Chinese President Xi Jinping that would arbitrarily see American LNG and wine replacing the Australian product in China's energy sector and its supermarkets.

According to the new US ambassador in Canberra, all we can do is "keep our fingers crossed".



**Trump v China**  
At the time of writing, the Trump administration has imposed tariffs on \$360 billion in Chinese imports and is soon to tax the remaining \$160 billion in goods.  
Source DW

**\$225**

**BILLION**  
The two-way trade with China at end-May 2019

To be sure, an exposure to China does present Australia with risks. China might decide to use trade to punish Australia over decisions it does not like. This risk has form: as Japan, Norway, the Philippines and Korea can all attest. Yet there is also a danger of over-reaction. Boorish comments appearing in nationalistic Chinese tabloids are one thing. But actual policy steps are another.

When specific Chinese measures targeting rare earth metals, salmon, bananas and tourists were being taken in each of the countries above, total exports to China were actually increasing.

In the case of Australia, last year there were reports

**"AN EXPOSURE TO CHINA DOES PRESENT AUSTRALIA WITH RISKS. CHINA MIGHT DECIDE TO USE TRADE TO PUNISH AUSTRALIA OVER DECISIONS IT DOES NOT LIKE"**

of Australian beef and wine facing delays at Chinese ports. The foreign ministry in Beijing has also issued "safety warnings" to Chinese tourists and students.

Yet in late 2018, Mike Smith, China correspondent for *The Australian Financial Review*, assessed that a backlash against Australian goods and services had "failed to materialise".

This year, allegations of Chinese coercion have focused on port delays being faced by Australian coal. But the latest data through to the end of May show year-to-date Chinese coal imports from Australia down less than 3 per cent.

A reason for restraint is that coercion hurts China too. China buys from Australia because it is the best supplier. And as former Australian ambassador to Beijing Geoff Raby observes, China is "utterly dependent" on international markets more generally to provide the vital inputs it

needs to deliver ongoing improvements in living standards for its population.

Using trade as a weapon also hurts China's reputation globally at a time when its intentions and actions are already under intense scrutiny.

In the first five months of 2019, the annual value of two-way trade with China has jumped another \$10 billion to reach \$225 billion. When the politics between Australia and China get rough, it is the economic relationship that provides the ballast. That's reason to celebrate, not panic. 🇺🇸



**Professor James Laurenceson**  
acting director of the Australia-China Relations Institute (ACRI) at UTS



# 0

**EMISSIONS**  
All Wing drones emit zero pollution as they fly above Canberra



**FEATURE**  
*Innovation*

# ACT UP

## *Australia's success story*

The ACT is quite different to any other Australian state or territory. Apart from its city-state status, the ACT has a unique system of government. Lacking a local government, a governor or a vice-regal appointment, the ACT is the perfect place to enact and test new legislation

| by Maja Garaca Djurdjevic |

**D**emographically, the ACT is the wealthiest state or territory in Australia per capita, it has the highest level of education and an intricate social makeup, including a large number of diplomatic and military personnel.

Utopia? Not quite, but it is certainly a wealthy, sophisticated and highly cosmopolitan region in Australia.

Overall, Canberra's unique design has seen it become somewhat of an experimental ground for our politicians.

"It is actually quite easy, if the government has a mind to introduce things there's no local interference," explains Dr Michael Schaper, head of the Canberra Business Chamber.

There have been some unsuccessful moves to enact certain proposals, with MPs rejecting to turn Canberra into the cannabis capital. However, they were charmed by flying robots, sending drones to the sky across our capital.

### **Flying robots**

Wing, an offshoot of Google, recently officially launched a world-first commercial air delivery business in Canberra's north, as a precursor for full scale commercial operation, which is expected in a couple of months. Having pondered the idea for some time in Canberra's industrial suburb of Mitchell, Wing gained approval for dozens of its drones to take flight across

a wider region of the city earlier this year.

"We've gone through all the thorough safety assessment we did for the Bonython operation; we've done that now for Mitchell and surrounding suburbs. We'll issue the appropriate permissions for those to go ahead," Civil Aviation Safety Authority (CASA) spokesman Peter Gibson told ABC Radio Canberra in April.

Prior to CASA's green light, Wing had been constrained to Canberra's south, where in the suburb of Bonython it was delivering everything from coffee to golfing equipment.

The territory government was quite welcoming of Wing's proposal, as was the CBC, and

**“YOU BASICALLY TAKE OUT YOUR APP, YOU PUT AN ORDER IN FOR A CUP OF COFFEE AND ONCE IT HAS BEEN MADE, THE DRONE FLIES TO THE SHOP, LOWERS DOWN A BOX WHERE THE COFFEE IS PLACED AND THEN USING YOUR PHONE IT FINDS YOU, HOVERS ABOVE YOU AND INCHES IT DOWN TO YOU FROM ABOUT 30 FEET IN THE AIR”**



Dr Schaper was among the first to see the experiment take flight.

“I watched it take flight. You basically take out your app, you put an order in for a cup of coffee and once it has been made, the drone flies to the shop, lowers down a box where the coffee is placed and then using your phone it finds you, hovers above you and inches it down to you from about 30 feet in the air,” he says.

Dr Schaper admits, however, that the trial period has had its slight hiccups, with the populace expressing concerns over the noise and potential wildlife dangers.

“There have been local complaints,” he says.

Plenty of people were worried about what would happen if a drone accidentally hit a magpie. But Dr Schaper assures that these machines are essentially “glorified

foam” with an inbuilt sensor system and a degree of artificial intelligence that can actually detect if something is flying its way.

Mr Gibson tells us that CASA has drone surveillance equipment at major airports, as well as mobile equipment.

“The equipment can identify drones that may be breaking the drone safety rules,” he adds.

Areas have also been identified where drone delivery could be particularly useful. And on the back of its success in Canberra, Wing recently announced it has applied for approval for home deliveries in Brisbane.

“It can deliver medication to people who are sick at home. Even things like veterinary services doing things like small animal rescue,” says Dr Schaper.

#### Perfect testing ground

But why was Canberra first? Dr Schaper admits that Canberra is a great place to trial a drone delivery service because of its compact size. The concept also resonates with Canberra’s emerging tech industry.

“Here is a fact people probably don’t realise: 64 per cent of the workforce in Canberra is in the private sector and not in government as is usually assumed,” he says.

A community needs to be encouraged to sprout, Dr Schaper says.

**3,000**

**PLUS DELIVERIES**  
of food and small household items have been delivered in Canberra over the Wing’s drone delivery testing period

“In a place like this where historically it has been about working in government, it does require a bit of effort to convince people that there are other ways to make a living. Not only that, but that they are valued avenues,” he adds.

Another first in Canberra is the planned introduction of a wellbeing index. While New Zealand has handed down a “wellbeing budget”, our own capital city may soon be testing a similar concept.

A “wellbeing budget” measures policies not just in economic terms but also against social, cultural and environmental indicators.

The ACT will be the first jurisdiction in Australia to create its own similar index and has enlisted experts and community groups to begin developing potential models. The government is promising to unveil the index on Canberra Day next year.

#### “Progressive views”

So, how do the residents of Canberra feel about their city’s experimental nature?

Dr Schaper believes they carry their “progressive views” proudly.

Issues such as sustainability, carbonless economy and marriage equality are not things only people in public service think about, they are seriously pondered by the wider Canberra community.

“I don’t see a lot of debates or arguments or push back among the business community. It’s kind of like ‘of course we want to try and be leaders,’” Dr Schaper says.

Climate change is another area Canberra has excelled at, committing to a net zero emissions target by 2045.

“That’s a kind of Canberra thing. I think it is a bit of a culture that has evolved over time,” Dr Schaper says.

#### The challenges

But Canberra has its challenges. According to Dr Schaper, while 4,500 businesses pop up around the ACT each year, 3,500 go out.

Statistics from the ABS confirm the ACT’s woes, revealing that while the territory had the highest business entry rate in Australia of 18 per cent in 2017-18, it also had the highest exit rate of 13.4 per cent.

“Canberra is one of the few places in the country that doesn’t have a general small business advisory service,” reveals Dr Schaper.

So, while most states fund small business advisory centres or the like, the ACT doesn’t.

“That is a bit of a lack and we do need that,” he says.

Boaz Fischer, the CEO of CommsNet Group, agrees.



**113**

**KM PER HOUR**  
The top speed of Wing’s drones

#### Punching above its weight

But despite the specified downsides, Canberra’s lifestyle is admired far and wide.

“It’s small. It’s easy to get around. Lifestyle is great and much better as a family,” says Mr Fischer.

In fact, the ACT is the only state or territory not near the coast; it is one of the few planned cities in the world; it’s home to over 140 wineries and 54 museums; and has one of the lowest crime rates compared with other cities in Australia.

Vicki Stylianou, executive general manager of advocacy and technical at the IPA, calls Canberra home, so we asked her what she likes best about Canberra.

“I love the four seasons, crisp and clear winter days; meeting interesting and influential people; the proximity to Sydney, coast and snow; being surrounded by nature; and the rural-urban mix,” Ms Stylianou says.

So, while Canberra may not be perfect, we can’t deny that it still continues to punch above its weight on many fronts, creating more than we might expect given its small population.



Ms Lawrance started her career in SMSF auditing on the Central Coast, but after realising that it wasn't for her, she got to thinking about how to combine her passion for creativity and her talent for numbers. Having decided to promptly exit auditing, Ms Lawrance became involved in documentary making and found herself falling in love with the art of storytelling.

"I was 23 at the time and I thought, what is the most interesting industry I could find. That question landed me at Film Australia acting as the production/management accountant. This role allowed me to peer into the world of TV production and from there I fell in love with the art of storytelling," she recalls.

Her admiration of the creative industry eventually took her across to London, where she perfected the art of finance working in one of the UK's most exciting production companies.

"Working in the UK documentary industry allowed me to stretch my skillset and really helped me to understand that being financially and commercially minded in a room of creatives was just as important as any other role in the production process," Ms Lawrance says.

**Hot Toast?**

Upon her return, she landed in children's television and then moved into one of Australia's fastest growing production companies. Ms Lawrance says that it was her varied experience that highlighted the gaps in the industry and led her to launch her own company, Hot Toast.

"Why shouldn't a small or medium sized creative company have the same level of support from their

# TOAST OF THE TOWN

*Creativity+numbers*

Sarah Lawrance's love for inventiveness has birthed a very unique accounting and bookkeeping practice for creative companies

| by Maja Garaca Djurdjevic |

external outsourced finance function as a bigger creative company?" she asked herself at the time.

Although Hot Toast was a name enthused by a few drinks, Ms Lawrance admits, she always had an underlying desire to create a brand that spoke directly to the creative industries.

"I wanted to ensure that every touch point Hot Toast had with the industry made its clients feel like we understood them because we were one of them," she notes.

A quirky bookkeeping and accounting practice, Hot Toast has a creative soul but a sharp, numbers orientated mind. Ms Lawrance says that 95 per cent of her clients are production companies and digital, design or full-service agencies.

"I always knew that I wanted to be specifically involved in the creative industries, it's what I absolutely love. I think there is something really beautiful about the art of storytelling and being a finance person, being able to be part of that

process and really help and drive growth from that position," she says.

Hot Toast is slightly over three years old and despite its short time on the market, it has achieved plenty. Just this year, Ms Lawrance received an award for CFO of the Year at the Australian Accounting Awards.

**Nurturing love for business**

Ms Lawrance's love for business actually began in her living room, in front of the TV, at a tender age of eight.

"Dad was actually a general manager of one of the big companies back in the day. So, every Sunday morning we watched *Business Sunday* together and I just thought it was fascinating. The whole idea of being able to build something, I was all in on that," she says. "I find the finance and business aspect of everything, the data driven analysis, really fascinating. You literally have a toolset that you can then apply to real-world cases. We have a real opportunity

with the technology and access to different data sets today as accountants and bookkeepers to help our clients drive efficiencies and help them on their business journey towards success.

"I love people as well, I love clients, all of their stories and everything that comes with it."

Being commercially focused, Hot Toast also provides CFO services to its clients.

"I think that what our expectations are of a CFO now, compared to even five or 10 years ago, is very different.

Having the ability to use our commercial background and take a holistic advisory approach to our clients' business allows us to make an impact," Ms Lawrance says.

She adds that her clients really appreciate the understanding Hot Toast has for the industry and the pain points that can be common across this section of the market.

As for the future, Ms Lawrance believes exciting things are on the horizon for bookkeepers and accountants.

"I really feel there is an opportunity out there at the moment. I feel like somewhere between the accountants and the bookkeepers, there is a huge amount of demand on the market from small and medium businesses that really want those CFO services. That want to understand the story the numbers are telling," Ms Lawrance concludes.

"Bookkeepers and accountants are in a really good position in terms of being able to leverage into these services." ☺

**Hot stuff**  
Sarah Lawrance was crowned Chief Financial Officer of the Year at the Accountants Daily Australian Accounting Awards 2019. She was also a finalist for Accounting Consultant of the Year and Hot Toast was a finalist in Marketing Program of the Year.



Follow Sarah Lawrance  
[twitter.com/hottoastcfo](https://twitter.com/hottoastcfo)

# HERE I AM

*Come and get me!*

Lisa Tait is not your typical accountant. A whiz at numbers, who flies planes and rides bikes in her spare time, Lisa is nothing short of a wonder woman

| by Maja Garaca Djurdjevic |

**H**er adventurous soul and brilliant mind make Ms Tait a fan favourite in the accounting world. But as the tale so often unfolds, her journey was not without its trials.

Ms Tait comes from a family of self-employed people. In high school she was a natural with numbers and logically she decided to pursue accounting studies at university. Her first job was in an accounting practice, but to her surprise she hated it. She felt it was a lot like a “sausage factory” and decided to make a quick escape.

“I left that for a couple of years and tried my hand at a few other things, sort of like a gap year concept, and actually ended up going back to university to do a bachelor degree, majoring in management,” Ms Tait recalls.

“While there I had to resit the

accounting subjects and they just came way too easily for me. So, I ended up returning to accounting.”

#### Each to her own

Having never been good at doing what she was told, Ms Tait started her own practice at the age of 27.

“Unlike most accountants, I didn’t buy a client base or steal it, I literally hung my shingle out and said here I am, come and get me,” Ms Tait explains.

“I did lots of door knocking around industrial estates. I was trying to offer a one-stop shop sort of concept to my clients.”

From her home office, Ms Tait did bookkeeping, tax returns and, later down the track when introduced, BAS.

“I was living on fresh air and sunshine for the first few years,” she laughs.

Today, 23 years since she launched her accounting business, Ms Tait is also the proud owner of an advisory practice. She was motivated to expand into advisory by her long-term clients.

“Back in 2007, when the first lot of FOFA restriction were making an appearance, rather than sitting around waiting to see if accountants will get an exception, I decided to go do my RG146 and become a financial planner anyway,” Ms Tait says.

“As I had started so young, by 2007 a lot of my clients were starting to think about their retirement. I had been a part of their lives, gone to their kids’ weddings and 21sts, and the thought that I wouldn’t see them anymore once they hit 60 and retired is the reason I pursued financial planning.”

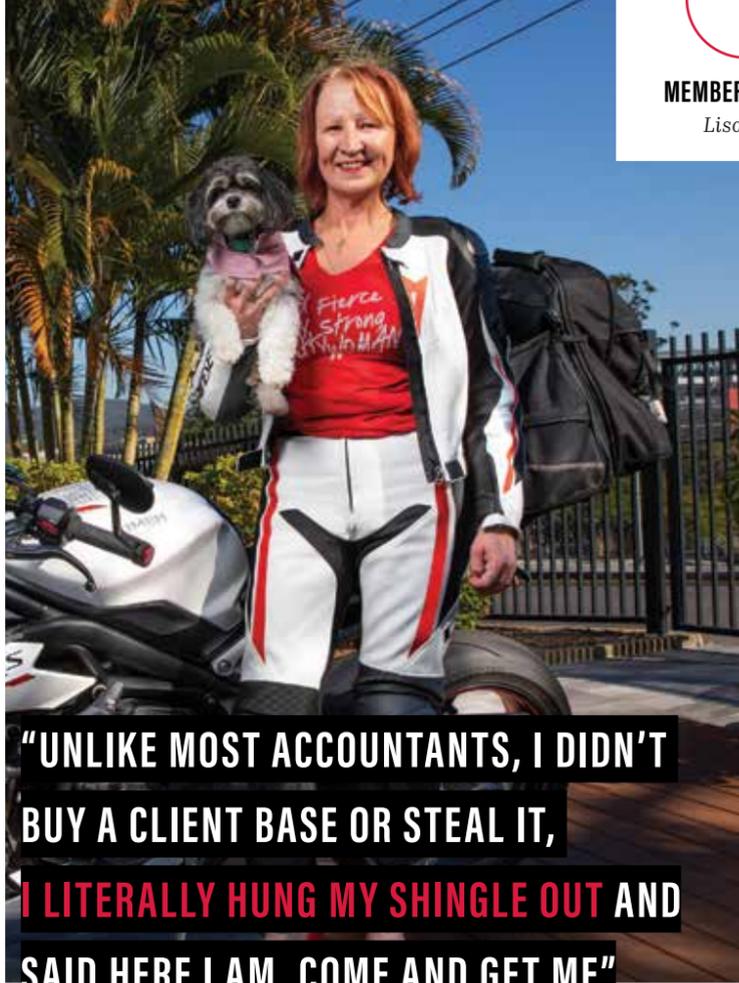


Lisa Tait

Lisa founded Absolute Business Solutions in 1996 and Absolute Financial Planning Solutions in 2007.

## MEMBER PROFILE

Lisa Tait



**“UNLIKE MOST ACCOUNTANTS, I DIDN'T BUY A CLIENT BASE OR STEAL IT, I LITERALLY HUNG MY SHINGLE OUT AND SAID HERE I AM, COME AND GET ME”**



She tells us that since her initial clientele hunt in her first year as a sole practitioner, she has grown her business entirely by word-of-mouth. “I have formed a great relationship with my clients,” Ms Tait says. “There have been a few times in my life, with life circumstances, that I have realised how much my clients have become my friends”.

Only a couple of years after she started her business, Ms Tait broke her back skydiving. Doctors gave her a slim 15 per cent chance of ever walking again.

“My hospital room, even after a short few years of having my practice, was flooded with flowers and things from my clients. And that was before we could do things remotely, so during my recovery clients would come to me, rather than having me go on site to them,” she recalls.

Ms Tait made a full recovery and was soon back in her plane, visiting clients up and down Queensland's east coast.

But her woes didn't end there. Just over a decade after her accident, she was diagnosed with breast cancer.

“It was quite an aggressive stage of tumour, and again my clients rallied up. My office and home were filled with flowers and lots of well wishes,” she says.

Despite her deteriorating health, Ms Tait always put her clients' needs ahead of her own.

“I worked through chemo and everything else. I arranged with the hospital to minimise any downtime for me. My clients were extremely accommodating accordingly,” she says.

Today, Ms Tait's clients are an integral part of her everyday life.

### Genuine care

Asked about her secret recipe to great client relationships, Ms Tait says it is crucial to really get to know your clients.

“We don't just send out Christmas cards, we do birthday cards, we do 20 to 25 per month. Everyone in the office signs the card. It's the little things like that. Make note of their names, of their children's names,” she advises.

“Actually care, don't see them just as a dollar sign.”



**Flying high**  
Lisa takes home runner-up in the Inter-Club Flying Spot Landing Competition this year.

**The power of Pepper**  
The office mascot pup has done wonders for office morale since 2013.

Currently, Ms Tait employs eight people and an office mascot, Pepper.

Pepper joined the firm in 2013. She is also a regular at accounting conferences held by the Institute of Public Accountants (IPA).

“Clients get disappointed if for any reason Pepper is not there when they come in. I do take Pepper out to site to see clients, she comes everywhere with me, even on the back of my bike,” she says.

Besides her business, Ms Tait is a licensed pilot, she is a member of the Formation Flying team at Archerfield and readily swaps her heels for her motorcycle boots.

“I try to keep my weekends free for my hobbies. But in saying that, at tax time it is often a mix of the two,” she concludes. 📌



## BUSINESS BUILDING

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# Business building

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

# 5 small business trends we should be thinking about ahead of 2020

What should you be looking into now to prepare for the 2020 landscape and beyond?

| by Alex Neighbour |

**THE PACE** of change is relentless, and it seems the snowball of human progress is only speeding up. Those in the small business game, making their own paths will feel this quite sharply as change in business means keeping yourself on your toes to keep your cash flow high and your future bright.

## 1. Small businesses with big data

You have probably heard the buzzword 'big data' being thrown around willy-nilly. It's the next big thing apparently, but it hasn't really touched you as a small business owner.

After all, big data and the lessons you can learn from interpreting it, is for big companies with large staff pools, extensive client lists and cash to burn. Only they could benefit from the effort, right?

Not anymore. People making important decisions and predictions in their businesses, small or large, will increasingly benefit from some degree of data collecting and crunching. In fact, the longer you wait, the more your competitors will make leaps ahead.

What are we talking about here exactly? In a nutshell: customer behaviour.

When we speak of big data we are very much concerned with consumer behaviour, sales patterns, responses to marketing campaigns, demographic articulation and general interests. We then tweak our approach in response to what we learned from the data.

The best way to start is with analytics tools for your website, social channels and email campaigns. There are now very approachable and cheap/free analytics

solutions out there perfect for small businesses.

Google analytics will get you started here but make sure you have a focus on which data you want and how you will use it to make business decisions. Data for the sake of data is as useless as it sounds.

## 2. People and relationship rise in importance

With the modern capacity of small business to embrace a wide range of technology you may think that people are being phased out of the equation. This is true in one sense – the tools of automation have meant that smaller admin-based tasks have started to quickly fall by the wayside.

With booking software on your website, accounting getting done with a cloud app, videos and webinars teaching your clients, programmed posts on Facebook achieving your marketing, you may think the role of personal service has been taken over by AI and software – it hasn't.

In such a world, the importance of personalised relationships becomes even stronger. Whilst an AI chatbot or links to FAQs or community-based troubleshooting will be a part of your recipe, be sure to have direct lines of communication to real people. This will never go out of fashion and the connection you form with a brand will always be at its strongest when backed by customer service from real people that you trust. The ability of a real person to create rapport, instinctively anticipate issues and see opportunities for cross-selling remains unparalleled. In an increasingly impersonal world, personal touches will become even more valued.

## 3. Social boosting

Social media presence has almost become compulsory these days. If you aren't on Facebook or Instagram, do you even exist? Can I trust you as a company? How did I even hear about you?

Now, while we all know regular posting and linking back from social media is a great marketing avenue, what is changing is the increasing propensity for paid posts.

In a crowded market, only the loudest vendor will be heard. Be that vendor. In previous years, with a good following and interesting content you stood a higher chance of trending on feeds and being visible to others.

Now and heading into 2020 it's going to be 'pay to play'. The barriers are low and you can easily manage a small paid post budget by placing caps on it and strategically putting a few bucks behind your best posts to get them high in the feed. This will increasingly become the primary way to ensure visibility and increase the likelihood of your social posts being liked, shared and spread.

## 4. Embracing the remote worker

This space is about to explode. Remote working has already risen substantially over the last couple of years in Australia and the trend is not reversing, let's put it that way.

According to McCrindle Research, the trend is catching on fast;

"Fifty-four per cent of Australians still work from one central office location. However, 25 per cent of Australians have a second location from which they conduct at least one hour's work every week and 12 per

### 2020 TRENDS AT A GLANCE

1. **Small businesses with big data** – big data is no longer just for big business
2. **People and relationship rise in importance** – customer service will never go out of style
3. **Social boosting** – be seen in a crowded market
4. **Embracing the remote worker** – attract next gen workers
5. **5G is about to land** – mobile is about to get even bigger

cent of Australians have three or four locations that they are based from."

With 4G (and now 5G) mobile internet, Wi-Fi in every home, laptops and tablets as far as the eye can see and a mobile in every hand, there are no more barriers left to remote working.

What will happen now, however, is a cultural and generational shift in expectations. With the tools in place and many early adopters setting the scene, we are really starting to appreciate the reality and in fact, the benefits of working from home or a remote location for at least a portion of the week.



25

PER CENT  
of Australians work from two locations every week while 12 per cent work from three or four locations



**Alex Neighbour**

senior copywriter and content manager at Reckon

As a new generation takes over the workforce, expectations of flexibility to match technology will increasingly arise. So, take the time to figure out how you can support remote working, even in small doses, and start thinking of what adaptability you can offer your employees to get even more out of them.

## 5. 5G is about to land

Starting this year in 2019, this will be the big global network capacity jump that will allow for a new world of data intensive activity. One thing is for sure – mobile will become even bigger and more reliable, so be sure to focus on strong mobile delivery in 2020.

The ways in which this will affect you will differ by industry, but affect you it shall. New technologies will emerge, new possibilities for online business will explode, new geographies will open up and the speed of communication will quicken dramatically.

With such massive speeds and reliability on a mobile platform we will see business connectivity upgraded to the point that mobile workers will no longer suffer from the download/upload limitations or the tyranny of distance.

We will also see practices like marketing change to adopt augmented reality, virtual reality and a higher

reliance on video, with the confidence that excellent bandwidth brings. Even simple things like seamless streaming, video calls, large uploads or downloads on the go will become hassle free and lightning quick. Furthermore, we will see new businesses and opportunities for existing businesses emerge in the IT space as well as new apps, business models and products that will inevitably come about with advanced 5G. One thing is for sure: the future is mobile, so get ready. 📱

**MELBOURNE-BASED DR IMBER** heads up science-based management consultancy Inventium, and in 2016 was inducted into the Australian Business Women's Hall of Fame.

While her decision in 2016 to offer unlimited paid annual leave to her team of 10 staff has attracted sceptics, Dr Imber said the results speak for themselves.

She explained that after three years of the policy, employees take an average of five and a half weeks paid annual leave each year.

In return, rates of sick leave among her workforce have plummeted to 2.5 days per person each year, while engagement scores are in the 10th percentile for their industry.

**Why offer unlimited annual leave?**

The main reason behind the policy shift was "to really

address the imbalance that was happening, in terms of working hours and non-working hours," said Dr Imber.

"We're a management consultancy, and typically management consultants work very long hours.

"I was reflecting on the fact that in our industry, while leave is capped at four weeks, working hours are not, and it's not an industry which pays overtime, which inherently seemed very unfair."

Dr Imber said this was having a noticeable impact on the wellbeing and also on the performance of her employees.

"They were tired, they were doing a lot of travelling, they weren't recovering properly – by and large because the amount of leave that employers are legally mandated to give wasn't enough time to recover properly from all the work and travel that they were doing"

**Weren't you worried about abuse of the policy?**

"I did a lot of research [beforehand]," Dr Imber admitted, "because a lot of companies that have introduced unlimited leave have not been successful in doing so, and many have retracted their unlimited leave policies, like Kickstarter and The Tribune, to name a couple."

The business owner suggested that having gone into the policy shift with eyes wide open, and having researched and understood what other employers had done beforehand, helped to allay any fears she might otherwise have had.

"A lot of people in general ask me, 'Weren't you worried that people would abuse the policy?'" she said.

"To be honest, that was never a concern. I work with adults who I trust implicitly; our recruitment process is very lengthy and very comprehensive, and we're very fussy about who we bring into the company.

"So, when you're really picky with recruitment, you find people who are really great and you keep people who are really great. And I think as a leader, if you treat people like adults, they will act like adults."

There was one potential hesitation Dr Imber had about the move, which was, "Would people take enough leave and take advantage of the policy in a good way?"

**What has unlimited leave meant for the business?**

While people are taking, on average, an extra week and a half of annual leave each year under the policy, Dr Imber said the business' bottom line has continued to be "really



Best for the World Inventium were recognised on the Best for the World lists in 2018 for innovative people practices.

strong", both in terms of revenue and profitability.

"Productivity has definitely increased while working hours have decreased," she said. "Staff tenure has almost doubled in that time, which I think is a fantastic result: people are ultimately happier and have a whole lot more energy because of the policy."

**Advice for other employers**

Having achieved success for both her workforce and her business under the move to unlimited annual leave, Dr Imber has some

words of advice for other business leaders.

"I think what is really key is that you're implementing a policy where there is a culture of high engagement and trust between staff and management," she said.

"If people are not engaged in the business and trust is broken, then I don't think a policy like this works very well, and I think it does leave it open to abuse.

"But where you've built a business where there is high engagement, people believe in the company, they respect



**"STAFF TENURE HAS ALMOST DOUBLED IN THAT TIME, WHICH I THINK IS A FANTASTIC RESULT: PEOPLE ARE ULTIMATELY HAPPIER AND HAVE A WHOLE LOT MORE ENERGY BECAUSE OF THE POLICY"**

# Unlimited leave for staff? This business says yes

Amantha Imber decided three years ago to scrap the fixed limit on annual leave days for employees and let them take as much paid leave as they wanted. That decision has actually improved her bottom line

| by Adam Zuchetti |



**Design thinking**  
Dr Amantha Imber is an innovation psychologist and author of two best-selling books: *The Creativity Formula* and *The Innovation Formula*

those around them, I think the policy works really well... when you respect your co-workers and your leaders, you don't want to abuse the policy, because you're kind of ruining it for everyone."

Another piece of advice, she offered, is role modelling expected behaviour as the leader of the business.

"For me, I take about six weeks of leave a year, and I think it's critical that if you're going to introduce a policy, as a leader you need to role model that," Dr Imber said.

"Really, it's about creating

those social norms. And at Inventium now, it is really normal that people will take long weekends or a week off if they have had a particularly intense work time, and that is just the norm."



**Adam Zuchetti**  
editor, My Business, Momentum Media

**IS THERE** anything to be gained in the business world from looking at and adopting decision-making techniques used by the military? Having spent over 30 years in both worlds, the answer is a categorical yes.

It is no surprise that decision-making in the military is a discipline that is practised so that there is consistency and all factors are covered in the thought process. Is this the same in the world of business? Rarely.

When the discipline of decision-making is introduced to business, the result is very often surprise and delight. To consider that there is actually some science to making decisions is foreign to most folk who have never been exposed to such processes and thinking methodologies.

## What business can learn from the military

Making good business decisions should not be a game of chance, and the military's approach to decision-making has beneficial outcomes for business leaders too, writes The CEO Institute's director, Steve Stanley

| by Steve Stanley |

Edward de Bono, the Maltese physician, psychologist, philosopher, author, inventor and consultant originated the term lateral thinking. His premise, and practice, is that thinking is a skill that needs to be taught.

Some schools embrace this and teach thinking skills to their students with outstanding results. Where do business leaders learn thinking skills? For the vast majority, the answer is, nowhere.

I retell an occasion in the military when we were conducting a map exercise planning a battle situation. This requires rigorous planning, thought and then decisions. When your plan is presented, the assessor, and fellow students, pick the plan to pieces to ascertain

the decision-making that lies behind the final outcome.

On one occasion, an officer on the promotion course was asked by his instructor why he had placed his tanks in a certain location. Without much hesitation, he explained that he had done so using the PIDOOMA Principle.

Clearly, the instructor, not knowing this principle and not wanting to appear ignorant of that fact, told him it was well done. In the vehicle returning to the base, when it was just the students, one asked him what the PIDOOMA Principle was, and where he had come by it, as she'd never seen it in any of the material we studied.

The Military Appreciation Process is readily transferrable to any decision-making process, especially business. Essentially, it encompasses:

- being sure of what you are to achieve – the mission.
- analysing the factors involved – yours and the competition's.
- developing courses of action available; modifying and deciding on the plan.

This seems logical, and it is, but it is just not done.

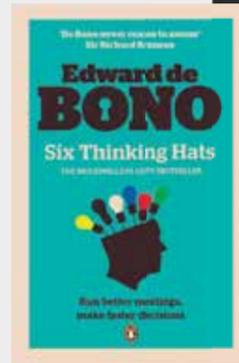
In the military, you are taught not to appreciate the situation. This is a common error and one seen in business consistently. It involves making the decision, then seeking data to support that decision.

What should happen is the collection of the data, the analysis and the decision springing from that analysis.

When working with an AFL football team, we took that one step further and went to the "war gaming" stage. This

involved taking the plan, setting up an opposition coach and running through "what-ifs" to assist in refining the plan.

An example would be, opposition says – and places the positions on the board – "we are going with a small forward line". The "friendly" coach then works out their response to that, the opposition then responds, and this process is followed until a sound course of action is developed for that scenario. This allowed a plan to be developed,



In Six Thinking Hats, Edward de Bono shows how meetings can be transformed to produce quick, decisive results every time.

**"IN THE MILITARY, YOU ARE TAUGHT NOT TO APPRECIATE THE SITUATION. THIS IS A COMMON ERROR AND ONE SEEN IN BUSINESS CONSISTENTLY. IT INVOLVES MAKING THE DECISION, THEN SEEKING DATA TO SUPPORT THAT DECISION"**

based on numerous possible scenarios, that saw reaction quicker than the opposition expected. The pressure then goes on the opposition coach to work their way through scenarios unfolding "on the fly". Our coaches remain calm, as they have prepared for the developments that are to occur.

There is a building company in Western Australia still performing well in this terrible market for construction, because they have engaged this process. They were ready



**Hooah!** The CEO Institute's Steve Stanley served as a part of the Australian Army Reserve, obtaining the rank of Lieutenant Colonel and was the Commanding Officer of the 16th Battalion, Royal Western Australia Regiment.

for a market downturn and had plans to stay in front of any competitors, that were in place before the situation became serious.

Others are floundering trying to make decisions on the spur of the moment in a very reactionary way. One is proactive, the others reactive. Who stays cool, has customers who sense that, and remains ahead of the pack?

Proactivity is the key and can be achieved with a disciplined and controlled approach to making serious decisions with far-reaching



**Steve Stanley**  
The CEO Institute

impact. Relying on the CEO to know everything, and get it all right every time, is a recipe for disaster. Even more so when they leave and there is no process for making decisions in the business.

So, yes, military decision-making techniques and discipline do work in business. 📌

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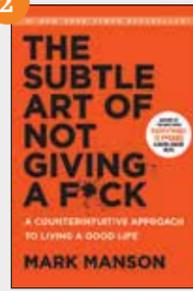


**Stuffocation: Living More With Less**

By James Wallman

"The book explains how we end up with too much clutter in life and how a different approach of working smarter and valuing experiences more in life rather than owning things improves our happiness and productivity."

2



**The Subtle Art of Not Giving a F\*ck**

By Mark Manson

"Helps keep you calm and focused on the bigger picture."

3

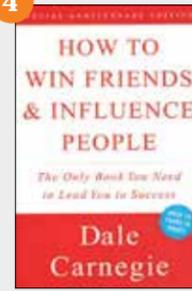


**Selling to Serve**

By James Ashford

"Provides insight into how to give more value to your clients and get them buying more from you. It's helped us think about how we sell to our clients, our pricing and service."

4

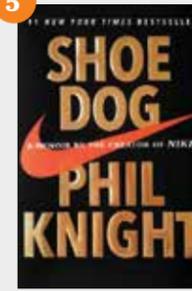


**How to Win Friends and Influence People**

By Dale Carnegie

"This book changed how I talk and work with people and helped shape my interactions in a way that helps others and myself."

5

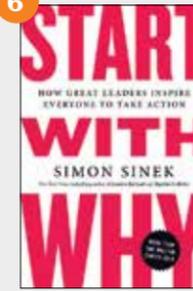


**Shoe Dog: A Memoir by the Creator of Nike**

By Phil Knight

"This is a true testament to the struggles and emotions you go through as a business owner."

6

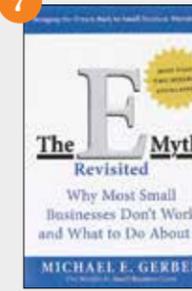


**Start With Why**

By Simon Sinek

"It really helped me focus on my values and why we're in business rather than what we do. This helped us look at the direction of our firm and how we want to grow in the future."

7

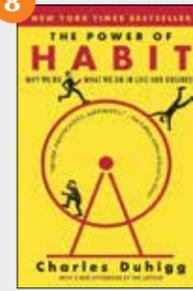


**The E-Myth and The E-Myth Revisited**

By Michael Gerber

"It gave me a true understanding about what I needed to focus on and how to build a business. This book modelled how to set up our firm in a franchise-type scenario. When I read it back in 2008, it changed the trajectory of our firm moving forwards."

8

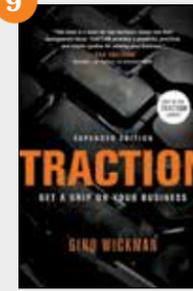


**The Power of Habit**

By Charles Duhigg

"It has helped to reshape the way I approach a behaviour that I want to change (or start). How to make starting (or stopping) habits easy."

9



**Traction**

By Gino Wickman

"We have implemented the Entrepreneurial Operating System discussed in the book and have experienced some really positive signs since establishing this."

10



**Relentless: From Good to Great to Unstoppable**

By Tim Grover

"I really liked this book because it explains that there are steps to becoming the best you. And it requires you to push yourself beyond what others are doing to get you there."

11

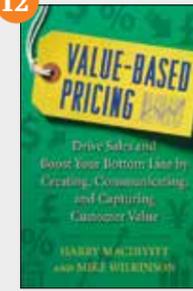


**The Travels of a T-Shirt in the Global Economy**

By Pietra Rivoli

"By focusing on one white T-shirt, this is a great illustration of the people and places involved in international trade."

12



**Value-Based Pricing**

By Harry Macdivitt

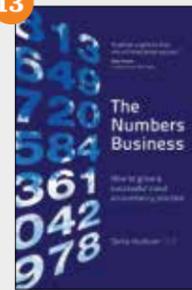
"It helped me learn about how adding value to clients is key in pricing."

# 21 best business books for accountants and bookkeepers

We talk a lot about closing the books. What about opening them? We asked Receipt Bank partners to share the books that have shaped their approach to business. What do you think should be on every accountant's bookshelf?

by Daniel Collier  
B2B community manager,  
Receipt Bank

13



**The Numbers Business**

By Della Hudson

"Has helped so many novice bookkeepers/accountants set up their own practice. Good advice throughout."

14

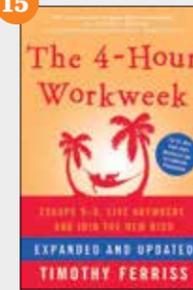


**The Lean Startup**

By Eric Ries

"Many of my clients, including myself, are currently or have been a start-up. This is a great introduction to business."

15



**The 4-Hour Workweek**

By Timothy Ferriss

"Inspired me to become self-employed and realise that it's all about the small victories that get you to where you want to go. This #1 New York Times best-selling author shows you how to live anywhere and escape the 9-5."

16

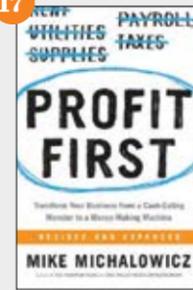


**The Digital Firm**

By Will Farnell

"Some great ideas and inspiration."

17



**Profit First**

By Mike Michalowicz

"While the concept of the book isn't necessarily groundbreaking, one concept stood out. I've used it in helping talk with many clients. Do you have a business or a job? If it's a job, you might as well do it for someone else without all the stress of running a business."

18

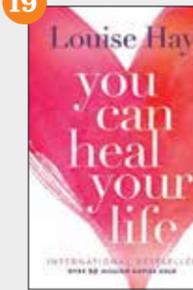


**The Chimp Paradox**

By Steve Peters

"It is mentally challenging when running a business, therefore if you can control your own emotions and responses, you can then proceed to control your business."

19

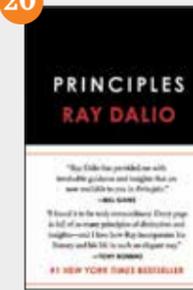


**You Can Heal Your Life**

By Louise Hay

"She taught me that I have choice, choice to even get out of bed in the morning. So if I am choosing everything why would I choose anything but being positive."

20



**Principles**

By Ray Dalio

"Ray Dalio does a great job explaining how continuous improvement can be implemented in an organisation, and how criticism can be used to build rather than break down."

21



**Flying Solo: How To Go It Alone in Business**

By Robert Gerrish and Sam Leader

"After deciding to leave the security of a corporate life or go it alone, I had a reasonably clear idea of what I wanted to do but no plan on how to do it. I found *Flying Solo* at the perfect time to help visualise my goals."



**Mitchell Moroney**  
principal,  
Moroney & Associates



### Trusted adviser

The recent recommendation submitted to Treasury to reinstate the accountants' exemption (withdrawn in 2016) will be a positive move in the right direction for not only the industry but also the general public. Clients looking to secure their retirement need one main trusted adviser to be by their side throughout the process. Yes, to have a successful and fruitful retirement there will likely be other parties involved e.g. financial planners etc. However, the accountant being the main trusted adviser should be by their side the whole time.

With the withdrawal of the accountants' exemption, this fostered an environment where the general public were forced to engage multiple advisers to ensure that they abide by all the red tape put in place by the government. This made for a costly and disjointed system where the client had multiple people pulling them in each direction without one person steering the ship. The reinstatement of the accountants' exemption would mean although the accountant cannot give financial advice, they will be able to advise the client to establish and wind up SMSFs. This will allow the trusted adviser to be by the client's side from the start until the end.

If the government truly has the best interest of the public at heart, they will re-establish the accountants' exemption and allow the public access to the support and advisers they need.



**Kaleem Ulah**  
director and senior consultant,  
The Calculators



### Easing restrictions

I think it's a really good move by the government, especially by the Treasurer, to put this back on the table. There are a lot of clients who cannot afford a financial adviser. And there is a relationship between an accountant and the client, I believe, that they meet really often and there is a trust there.

Clients believe that their accountant can help them with these sorts of things, but then when they ask us for advice, we are really limited on that and we can't say anything at all on some things. So, we know these things, but we can't disclose them due to these restrictions. I think if accountants were enabled to provide incidental financial advice, their clients would gain in confidence, besides also saving money.

There is a moment there when your clients have small SMSFs and they don't want to pay all these fees to financial advisers to get that advice written up for them. But I do think there should be a certain line that accountants aren't able to cross. After that, if its complicated advice, clients should be referred to a financial adviser. This level should be regulated by the bodies, they need to impose the limitations. Well trained people need to move in and help them with these things.



**Carolyn Geyer**  
principal,  
Geyer Accountants



### The right direction

Definitely a yes from me. An SMSF is a structure like any other that we should be able to recommend to our clients in structuring their affairs.

Accountants are considered trusted advisers and many clients rely on their accountant for basic investment advice on SMSF and super contributions but we are unable to answer their questions.

Not having the accountants' exemption has made it difficult to simply point the client in the right direction with some basic incidental financial advice. As a result, many people have opted out of getting advice due to the cost and not knowing the adviser. This has led to people, who don't have a lot of money, not getting some basic financial advice. It is the lower income earners who need to be pointed in the right direction of some good incidental advice. A good financial plan is very important; however, it is expensive and out of the reach of many people whether they have an SMSF or not.

It seems crazy but we can't advise a client to close their SMSF and transfer their superannuation elsewhere, when their SMSF is losing money and they are going backward financially. We recommended that they seek advice from a financial planner but the client struggled to afford the service. Accountants should be able to provide clients with basic comparisons between an SMSF and an industry fund and a retail fund.



**Dr Frank Maisano**  
academic,  
RMIT University



### End-to-end solutions

An exemption for professional accountants in advising clients on basic and/or incidental financial matters is a strategy which should be investigated thoroughly.

The nature and scope of the professional accountant leads to an inherent, high level of acquired financial knowledge, with accounting and finance going hand in hand when delivering high quality service to clientele.

Particularly accountants in small practice, their clientele have a level of trust in them, and being able to deliver an end-to-end solution for clients in this situation can only enhance clientele experience, especially with regard to the popularity of SMSFs.

In accounting and financial matters, if clientele are forced into a fractured system, having to contract the services of multiple firms and/or professionals, to deliver these services, it will lower the client experience, increase the use of resources, and undermine the current trend of streamlining processes and increasing efficiencies in all aspects of business. 📌

**Q. What do you think about putting the accountants' exemption back on the table? Should accountants be allowed to provide incidental financial advice, particularly in regard to SMSFs?**



# ONE VOICE

The official IPA Group podcast

One Voice – the official podcast of the IPA Group – delivers insights, commentary and knowledge for the accounting profession aimed squarely at those supporting the SME sectors. With commentary spanning Australia, the UK and the global membership of the IPA Group, each month IPA Group CEO Andrew Conway and SME commentator Phillip Tarrant will delve into the big issues shaping tax, legislation and policy reform as well as share stories from across the globe of accountants going above and beyond for their SME clients.



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## Superannuation resetting course post-election

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Taxation Ruling TR 2019/2 Income tax: whether penalty interest is deductible, provides the ATO's view on the deductibility of penalty interest. This article highlights the relevance of TR 2019/2 for self-managed superannuation funds

by Joseph Cheung and Daniel Butler

# Technical

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

# Superannuation resetting course post-election

Elections introduce uncertainty at the best of times. This year's federal election was no exception and there were a host of proposed superannuation changes which exacerbated the uncertainty

| by Tony Greco |

**UNCERTAINTY CAN** erode confidence in our superannuation system, and it is important that members of superfunds have confidence in their attempt to provide for their retirement. If government wants to lower its citizen's dependence on the age pension, then there needs to be a high level of confidence in the system, which translates to not tinkering too much with the rules. Ad hoc changes and moving the goal posts has been one of the issues proving a distraction to retirement planning. Australia has an internationally well-placed retirement system so it's not all bad. It just needs a few tweaks to make it better.

Most observers took their eyes off what the current government was proposing as all eyes were on the ALP policy direction. This was perfectly understandable given the polls were

predicting that there would be a change in government. Most observers focused on the opposition policy front and took little notice of what was announced in the April 2019 federal budget.

The ALP superannuation policies were in part going to reverse some of the recent changes, such as deductibility of concessional contributions, and revert to the previous arcane and highly discriminative 10 per cent rule. The removal of this unfair restriction took a lot of effort to bring this recent change to fruition and it would have been extremely disappointing if it was unwound as it prohibited some taxpayers from taking advantage of the universal contribution cap.

The ALP was also planning to unwind the concessional contribution catch up rule and reduce concessional

and non-concessional super contributions caps. It also proposed to lower the income threshold for super surcharge from \$250,000 to \$200,000.

The banning of LRBA was also part of their reform agenda. Whilst not a direct superannuation change, the denial of excess franking credits was also lurking in the background, which would have had huge implications on investment strategies and attractiveness of setting up and maintaining an SMSF structure.

Now that we have a return of government, the muted changes are off the table and we are awaiting confirmation of the superannuation reform agenda under a re-elected LNP government. What we now know is that we have a new minister at the helm. Jane Hume is the Assistant Minister for Superannuation, Financial Services and Financial Technology and she will have direct carriage over superannuation.

We also had a number of bills with superannuation changes that lapsed as a result of the election. There were also some matters that were under consultation prior to the election such as the three-yearly audit for some SMSFs. We are hopeful that after much consultation, that this initiative will be cremated and buried never to be discussed again in our lifetime. There is also the current government policy intent of increasing the maximum number of SMSF members from four to six. We will need to wait to see whether this remains a priority of the government in their new term of office.

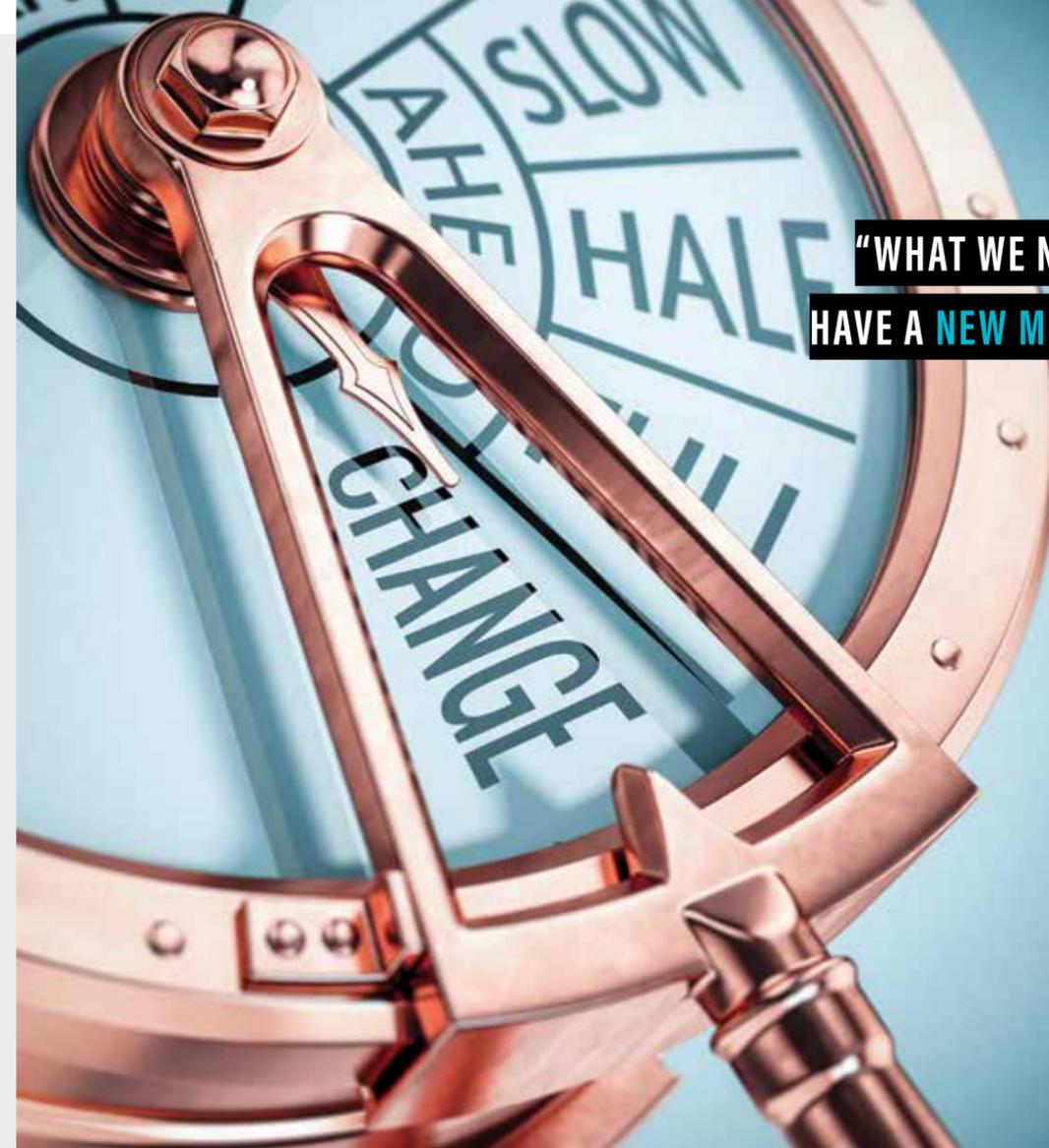
At the time of writing, we are now starting to see some of those lapsed bills

resurfacing into Parliament and the first cab out of the rank is Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2019. This bill contains a number of measures that had lapsed when the election was called in April.

This bill reintroduces an employer shortfall exemption certificate for high-income earners with multiple employers, a measure to include the outstanding value of LRBAs in the total super balance for certain SMSF members and also extends the existing non-arm's length income rules to capture non-arm's length expenses. The SG amnesty, which was intended to provide employers with a 12-month window to rectify past SG non-compliance, has not been included in this bill. Whilst there is a lot of support for the measure, what we know is its passage through Parliament would have been problematic, as the ALP is clearly opposed to any lessening of the SG penalty regime for non-compliant employers.

Another measure which also lapsed and has now resurfaced relates to the ability for employers to offset salary sacrifice super contributions against the employer's SG charge. In addition, if an employee has entered into a salary sacrifice arrangement, their employer can use the lower post salary sacrifice earnings base to calculate the employees SG entitlement. Both these practices amount to legalised SG theft.

These issues first surfaced in 2016 and an amendment to remove this legal loophole was originally contained in the Treasury Laws Amendment (Improving Accountability



**"WHAT WE NOW KNOW IS THAT WE HAVE A NEW MINISTER AT THE HELM"**

proceed with a retirement income review and we suspect that this will encompass the objective of superannuation, so stay tuned. There is also debate around the timing for increasing the current level of SG from 9.5 to 12 per cent. The level of SG payable by an employer will be driven in part by what we agree will be the objective for superannuation, so there will be a lot of interest in this review as it may reset the goal posts for retirement planning.

Whilst the Treasurer announced the retirement income review, Prime Minister Scott Morrison has weighed into the debate and has stated that there will not be any major changes to our superannuation system as the review will only provide recommendations for the government to consider and will not form policy in the short term. This may mean that recommended changes form part of what will be taken to the next election.

The retirement income review may take a holistic approach, and this could include sensitive issues such as the exempt status of the family home for aged pension purposes. 📌



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

and Member Outcomes in Superannuation Measures No.2) Bill 2017, which lapsed prior to the election. The amendment to address this loophole is contained in another bill with six other non-super integrity measures. Treasury Laws Amendment (2019 Tax Integrity and other measures No.1) Bill 2019, includes measures to ensure that salary sacrificed amounts cannot reduce an employer's SG liability. The amendment unfortunately only applies as from 1 July 2020. It is criminal that this option is still available to employers for another year.

Closing this legal loophole, which has been used by some

employers to short-change employees, should have been done previously. The Senate economics committee held an inquiry into this bill and the IPA strongly advocated that employers have had ample warning time to adjust their business practices and that this amendment should apply from the start of this financial year, namely, 1 July 2019.

The other major bill that lapsed was the all-important Objectives of Super Bill 2016. This bill wanted to enshrine the primary objective for super. It was defined as "To provide income in retirement to substitute to or supplement the age pension".

There was a fair amount of

criticism around the definition at the time, mainly around the proposed definition not being aspirational enough. Notwithstanding, it is vitally important to have an agreed definition enshrined in law. Many are hopeful that if this step was taken it would make it harder for any party to make constant ad hoc changes.

Superannuation represents an irresistible honey pot of money. Who can blame any government for trying to dip their hands into people's retirement nest eggs when it is being justified on the basis that we need to bring the budget back into surplus.

The government has announced its intention to

**MOST PROFESSIONALS** are aware of the general limits or caps on superannuation contributions. Despite there being no laws preventing fund members from making unlimited contributions, most understand that there can be significant financial consequences associated with exceeding those caps.

It is important to remember that there are specific measures that allow for contributions beyond the usual maximum amounts permitted. These can present important planning opportunities that may otherwise be overlooked.

#### The general contribution caps

There are defined annual caps or maximum amounts that are prescribed for the various types of superannuation contributions. The applicable caps for the two major contribution types are:

- **Concessional contributions** - \$25,000 per annum. These include employer contributions, salary sacrifice and personal contributions claimed as a deduction.
- **Non-concessional contributions** - \$100,000 per annum and only available if the total superannuation balance of the member is below \$1.6 million.

#### Consequences of exceeding the contribution caps

It is not possible to simply withdraw excess contributions from the fund (even if they were made by mistake) and the individual concerned will need to wait until the Australian Taxation Office issues a determination notice. Briefly, the consequences of exceeding the contribution caps can be summarised as follows:

# Beyond the contribution caps

While exceeding the contribution caps will generally lead to negative financial outcomes, there are circumstances where additional contribution strategies may be relevant and beneficial

| by Bob Locke |

- **Excess concessional contributions** - the excess contributions will be taxed at the members' marginal tax rate and there is generally an additional charge, which is effectively interest on the additional tax payable. Up to 85 per cent of the excess contributions can be withdrawn from the fund and any excess amounts not withdrawn will be treated as non-concessional contributions with possible flow-on effects from excess non-concessional contributions.
- **Excess non-concessional contributions** - there are basically two options here; (a) elect to withdraw the excess, in which case 85 per cent of the associated earnings on the excess amount will be added to the member's personal taxable income and taxed at their marginal rate of tax, or (b) elect not to release the excess and have the full amount of the excess taxed in the fund at the highest marginal tax rate of 47 per cent.

#### Measures which allow contributions beyond the general caps

It is clear that making excess contributions will generally lead to a situation of paying additional tax and produce an overall negative financial outcome for the member concerned. However, there are a number of specific measures that allow for contributions beyond the usual maximums and these can be incorporated into strategies with significant benefits to the member. Here are some examples:

#### Example 1 - utilising the five-year catch up provisions for concessional contributions

Fred is employed on a salary of \$86,000 pa and has had employer contributions of \$8,170 made each year from 1 July 2018. His current total superannuation balance is \$250,000. Towards the end of the 2022-23 financial year, Fred sells an investment property and makes a gross



capital gain of \$200,000. His accountant advises that he will be up for additional tax of around \$39,300.

Fred could consider a concessional contribution to his superannuation fund of up to \$84,150, which is the amount of his unused concessional cap since 1 July 2018. This would reduce the additional personal tax to \$6,000 and after allowing for the 15 per cent contributions tax on the \$84,150 into the fund, Fred's net saving would be around \$20,600.

#### Example 2 - claiming two years' concessional contributions using a contribution reserving strategy

Katie is self-employed and for the year ended 30 June 2019 estimates her net business income at \$180,000. She has planned for some time to take a "year off" and travel, and has arranged this to commence in the following year and so is unlikely to have any significant income for that year. Katie currently has \$750,000 in her self-managed superannuation fund and is about to sell an investment property, which is expected to realise a gross capital gain of \$100,000. The additional net capital gain will attract tax of around \$23,500.

Katie decides to contribute two amounts of \$25,000 to her superannuation fund; one in December 2018 and one in mid-June 2019. The effect of this will be to reduce Katie's personal tax by \$23,500 and after allowing for the 15 per cent contributions tax in the SMSF, her net saving is \$16,000, which is double the amount saved if she simply

contributed the \$25,000 cap amount. Note that there are several essential elements for this strategy to be effective:

- The "second" contribution of \$25,000 has to be made in June as the SMSF will have to "reserve" this amount for a maximum period of 28 days i.e. when the contribution is received in June, it is allocated to a contributions reserve and then allocated to Katie's account in the fund in early July.
- Katie will need to complete a "Request to adjust concessional contributions" form to ensure that the Australian Taxation Office does not treat the additional \$25,000 as an excess concessional contribution.
- Generally, this strategy can only be used by those who have a self-managed superannuation fund.

#### Example 3 - using the CGT contributions limit for proceeds from the sale of a small business and combining with the home "downsizer" contributions and other measures

Rose took over the family farm 25 years ago and having reached the age of 66, decides to sell up and move to the coast. The farm is sold for \$2.5 million and after taking advice, Rose decides to move the maximum amount possible into a newly established self-managed superannuation fund. Settlement of the farm is expected in May and she would like all the financial arrangements to be in place by 30 June.

Rose's goal of achieving the maximum possible superannuation balance in the specified time frame could be achieved using a combination of available strategies as follows:

- Make non-concessional contributions of \$300,000 utilising the three-year bring forward option (now available to those aged 65 and 66)
- Make a CGT contribution up to the maximum allowed for 2018-19 of \$1.48 million
- Make a "downsizer contribution" of \$300,000 (in relation to Rose's home, which was part of the farm). Note that these contributions are not treated as non-concessional and are not subject to the usual total super balance cap
- Make a concessional contribution of \$25,000
- Make a second concessional contribution of \$25,000 (as per example 2)
- Total amount contributed is therefore \$2,130,000
- Rose then commences a retirement phase pension with a balance of \$1.6 million, leaving \$530,000 in accumulation phase.

#### Take out point

Even though there are basic defined caps for the main contribution types, there are specific measures and circumstances where additional contribution strategies may be relevant and beneficial. Always consider the particular circumstances of the individual and look beyond the basic contribution caps. 📌



**Bob Locke**  
SMSF specialist and the chief executive officer, Practical Systems Super

**\$25**

THOUSAND per annum of concessional contributions, including employer contributions, salary sacrifice and personal contributions can be deducted.

# Employee entitlements, 'wage theft' and Fair Work: Why it's time to be proactive

The Press Club. Tokyo Sushi. Ezard. These three restaurants are just a few of the big names widely reported to be embroiled in the Fair Work Ombudsman's crackdown on underpayment of staff. Its investigations have uncovered serious breaches of Fair Work legislation, affecting businesses across the hospitality, retail and dining sectors, as well as many other industries

| by Ben Renshaw |



**IN THE** case of George Calombaris, the celebrity chef has admitted to underpaying his workers by \$7.83 million, and has been ordered to pay a \$200,000 fine. With heightened media attention and a new focus from employees on whether they are getting a fair deal, it's likely that many other high-profile names will soon feel the heat from Fair Work. And it's not just monetary risks that these businesses face. The media has coined the new term 'wage theft' - and the reputational damage for anyone accused of this is going to be significant.

We ask the question why do businesses in these industries, as well as other industries that typically employ large numbers of shift or casual staff outside of the regular 9 to 5, find it so hard to pay their employees correctly, and what can they do to remedy this?

## **Paying workers fairly: What are the challenges?**

Employers often don't understand their obligations under Australia's highly complex industry awards systems. For example, the Hospitality Industry (General) Award 2010 allows companies to work out how much an employee would be paid for a 38-hour week. They can then uplift that by 25 per cent to recognise overtime, and pay this amount to the employee on an annual basis, as long as actual pay and total hours worked are reconciled annually, to ensure that the employee has been fully compensated for the time they actually worked.

However, the problem occurs because staff in industries such as hospitality work long hours that can change frequently. If a business doesn't have an

effective way of recording hours worked, or never goes back and checks how much overtime a staff member has completed, it is unlikely that it will be paying employees correctly. As such, whilst employers may take care to roster employees appropriately, employees could end up working 60-plus hours per week and not get paid correctly for this if a reconciliation is never performed by the employer. The media attention given to this issue is prompting staff to check their own wages, and when they find a breach, go to the unions, Fair Work Ombudsman and the press.

The issue is made more challenging because many businesses in these industries don't have a large or sophisticated HR department or payroll function - this may reduce the capability of the business to correctly review contracts, awards and rates of pay or perform annual reconciliations for those on annualised salaries.

## **What are the risks to businesses in this area?**

There is no doubt that businesses are obliged to pay their employees correctly, fully and appropriately, and should do so in a timely manner. To do anything else is grossly unfair to employees, as well as to competitors who are doing the right thing and are disadvantaged as a result.

Fair Work has recognised that there's an endemic problem with hospitality related businesses, and is directing its investigations towards these industries. This poses significant risks for any business found to be breaching their obligations, including:

**1. Reputational damage:** 'Wage theft' is not a term you want associated with your business, and the risk to business reputation is significant. The business' ability to attract new customers and high-quality staff in the future will be impacted.

**2. Financial impact:** Companies found to be breaching their obligations may have to pay fines as well as compensation to employees, which may grow as the press becomes even more negative. This is in addition to the clear requirement that they make good on any historical underpayments to employees. Many hospitality businesses don't operate on high margins at the best of times, so unexpected employee costs together with monetary penalties could have the potential to end operations altogether.

**3. Immigration restrictions:** Many employees in the hospitality and retail industries (and many other industries) are in Australia on work visas. Any Fair Work investigation is likely to be referred to the Department of Immigration and Border Force, and vice versa. This may lead to restrictions or bans on employing people from overseas, as well as separate fines and additional adverse press coverage for breaching immigration law.

**4. Criminalisation:** There has been genuine political interest in criminalising *Fair Work Act* breaches, and the government has indicated that it is considering drafting further legislation around this. If passed, business owners and directors may face criminal

**\$7.83**

**MILLION**  
The amount of wages  
George Calombaris  
underpaid his employees

charges and potential prison time if they are found to be underpaying workers.

## **How can businesses stay compliant with Fair Work?**

Firstly, if a business believes it may have underpaid workers or otherwise be in breach of the *Fair Work Act*, it must deal with the issue quickly and honestly. The owners must work out how much they've underpaid their staff and start to remediate. This is essentially their only choice - if Fair Work doesn't believe the company is trying to remedy the situation, the case is likely to go to court.

Moving forward, the business may need to reshape its workforce or business model. The problem is that many such businesses operate on such low margins that, had they been paying their workers correctly, their viability may be called into question. For companies that have not yet discovered a breach but would like to be more proactive in this area, there are several steps they can take.

## **Develop a thorough understanding of the awards:**

There are complicated rules around roster patterns, rates for grades of employees, part time v full time, number of shifts a staff member can work, how many days off they can have, and length of time given between shifts. Support from professionals, including employment lawyers, will likely be a good idea in this regard.

## **Create policies and procedures around time and attendance records:**

This is one of the most common errors we see at BDO. In retail there are often very basic paper timesheets, prone to manipulation and error, and without good sign-off and approval protocols. Even if a business has a digital solution, if there aren't thorough procedures around when an employee says they've started their shift (or when they simply arrive at the workplace), it's hard to keep track of who's working what hours and when.

**Offer training:** Make sure frontline employees and staff understand these formal policies and procedures to ensure compliance.

## **Check that annual salaries actually match up to time worked:**

Another common error we see is that businesses will calculate someone's annual salary based on estimated hours under an award, but won't go back and check it correlates with the time an employee has actually worked.

**Audit periodically:** Regular sample testing and independent checks are a must. This will ensure that employees are following time-recording processes correctly and that payroll teams are checking annual salaries against the hours staff members have actually worked. 📌



**Ben Renshaw**  
partner at BDO

### Penalty interest

'Penalty interest' is defined in TR 2019/2 as follows:

3. 'Penalty interest' is an amount payable by a borrower under a loan agreement in consideration for the lender agreeing to an early repayment of the loan. The amount payable is commonly calculated by reference to a number of months of interest payments that would have been received but for the early repayment.

#### Summary of TR 2019/2

Broadly, the ATO's view is that penalty interest may be deductible in certain circumstances under the following two key sections (and we will

assume the SMSF is fully in accumulation mode unless stated otherwise):

- It is generally deductible under s 8-1 (general deductions) where the borrowings are used for gaining or producing assessable income or in a business carried on for that purpose, and it is incurred to rid the taxpayer of a recurring interest liability that would itself have been deductible if incurred. However, it is not deductible under s 8-1 to the extent that it is a loss or outgoing of capital, or of a capital, private or domestic nature.
- It is deductible under s 25-30 (expenses of discharging a mortgage) to the extent

# Penalty interest and TR 2019/2 in the context of SMSFs with LRBAs

Taxation Ruling TR 2019/2 Income tax: whether penalty interest is deductible, provides the ATO's view on the deductibility of penalty interest. This article highlights the relevance of TR 2019/2 for self-managed superannuation funds

| by Joseph Cheung and Daniel Butler |

the loan money was used for producing assessable income. Note that, unlike s 8-1, deductibility is not affected by whether the expenditure is capital or revenue in nature.

Further, penalty interest is not deductible to the extent that it is used to derive exempt income. However, according to the ATO, penalty interest is not deductible under s 25-25 (borrowing expenses) as it is not incurred for borrowing money.

Also, penalty interest that is an incidental cost (e.g. a borrowing expense such as a loan application fee or a mortgage discharge fee) incurred in relation to a capital gains tax (CGT) event or to acquire a CGT asset is included in the cost base or reduced cost base (refer to ss 110-35(9) and 110-55(2) (incidental costs for CGT asset)). In contrast, penalty interest is not included in the cost of a depreciating asset under s 40 190(2)(b) (element of cost of holding a depreciating asset).

TR 2019/2 applies retrospectively and prospectively. However, it will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before 22 May 2019.

#### TR 2019/2 in the context of SMSFs

**Relevance for SMSFs**  
SMSFs are generally prohibited from borrowing money. The only exception to this prohibition is if the SMSF borrows money under a limited recourse borrowing arrangement (LRBA) that satisfies the criteria in s 67A of the *Superannuation*

*Industry (Supervision) Act 1993*. Accordingly, TR 2019/2 is most relevant for SMSFs in the context of LRBAs. In particular, some loan agreements may contain a penalty interest provision. The penalty interest provision could be triggered if the SMSF (i.e. the borrower) repays the entire loan balance early or refinances the loan.

- See Case Study.

For LRBAs involving unrelated lenders such as a bank, it will often be the lender or the lawyers acting for the lender who prepare the loan agreement. Accordingly, whether a penalty interest provision is included in the loan agreement will typically be determined by the lender rather than the SMSF.

#### LRBAs involving related party lenders

For LRBAs involving related party lenders, there is more scope for the SMSF to influence the terms of the loan agreement. Many SMSFs want the terms of their loan agreement to comply with the ATO's safe harbour terms as described in Practical Compliance Guideline PCG 2016/5. PCG 2016/5 does not require penalty interest to be payable by a borrower to a lender in relation to the early repayment of the loan. Accordingly, related party loan agreements that comply with PCG 2016/5 are not required to include a penalty interest provision. (For completeness, the related party loan agreement drafted by DBA Lawyers does not include a penalty interest provision for the early repayment of the outstanding loan balance.)

#### EXAMPLE CASE STUDY

**TOBY** IS the sole member of the Toby Superannuation Fund. Toby is the sole director of Toby Pty Ltd, which acts as the trustee of the SMSF. Toby only has an accumulation interest in the SMSF. The SMSF purchased a commercial property using an LRBA with a bank lender, e.g. Bank #1. The SMSF leases the commercial property to an unrelated third-party tenant and derives assessable income.

After the first year of the loan, the SMSF decides to refinance this property at a lower interest rate and use a different lender, e.g. Bank #2. In order to refinance, the SMSF pays out the loan (from Bank #1) early. Further, the refinance results in the discharge of the mortgage that was given to Bank #1. A new mortgage is given to Bank #2.

The SMSF incurs penalty interest calculated on the basis of one month's interest for each year of the fixed loan period remaining.

The advantage sought in practical terms by repaying the loan (from Bank #1) early and incurring penalty interest is future interest savings from a lower interest rate. Penalty interest is of a revenue character and is deductible under s 8-1.

Alternatively, since the refinancing affects the discharge of a mortgage securing the loan (from Bank #1), the penalty interest is also deductible under s 25-30.

Naturally, if two or more sections allow for a deduction in respect of the same amount, s 8-10 requires the SMSF to deduct under the provision that is the most appropriate. Accordingly, the SMSF chooses to deduct the penalty interest under s 25-30.

Alternatively, if Toby also had a pension interest in the SMSF, the penalty interest is not deductible to the extent that it is used to derive exempt income.

EXIT ↗  
TR 2019/2  
Penalty may occur



**Joseph Cheung**  
lawyer, DBA Lawyers



**Daniel Butler,**  
director, DBA Lawyers

Naturally, the parties to a related party loan agreement may still decide to include a penalty interest provision. If such a decision is made, the parties must be able to demonstrate that the LRBA was entered into and maintained on terms consistent with an arm's length dealing.

This could involve benchmarking and maintaining evidence to show that the LRBA (including the penalty interest provision in the loan agreement) is established and maintained on terms that replicate the terms of a commercial loan that is available in the same circumstances.

#### Conclusion

An SMSF trustee that is considering repaying an LRBA early or refinancing a LRBA should review the loan agreement and consider carefully the potential effect of any penalty interest provision, including its tax treatment.

The law in relation to the taxation of SMSFs is a complex area of law and where in doubt, expert advice should be obtained. Naturally, for advisers, the Australian Financial Services Licence under the *Corporations Act 2001* and tax advice obligations under the *Tax Agent Services Act 2009* need to be appropriately managed to ensure advice is appropriately and legally provided.

# GIVE HAPPINESS TO SICK KIDS

Ruby, age 8 during treatment



Ruby in hospital with Captain Starlight

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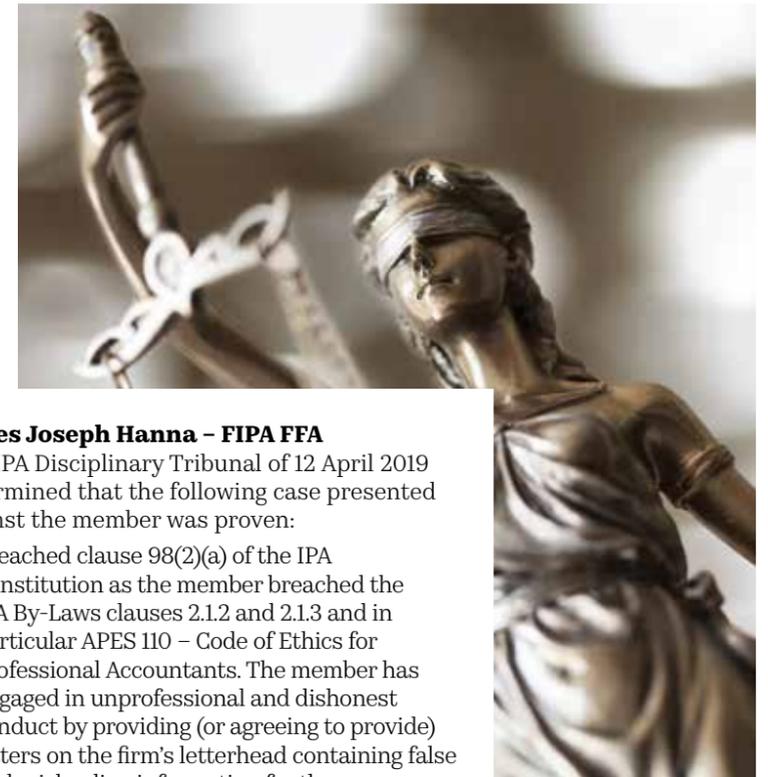


## TRIBUNAL

Disciplinary findings

For other disciplinary hearings go to [publicaccountants.org.au/about/complaint-investigation/tribunal-hearings-decisions](http://publicaccountants.org.au/about/complaint-investigation/tribunal-hearings-decisions)

## Disciplinary Tribunal Findings 12 April 2019



### Paul Kleores – MIPA AFA

The IPA Disciplinary Tribunal of 12 April 2019 determined that the following case presented against the member was proven:

- a) Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws clauses 2.1.2 and 2.1.3 and in particular APES 110 - Code of Ethics for Professional Accountants. The Tax Practitioners Board terminated the member's tax agent registration as it determined the member had ceased to meet the tax practitioner registration requirement of being a fit and proper person. The member admitted they were responsible for supervision of the Australian Taxation Office's Tax Agent Portal and allowed access to others in circumstances where the member could not establish there was consent;
- b) Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws clause 9.1.2. The member provided public practice services but failed to hold an IPA professional practice certificate;
- c) Breached clause 98(2)(b) of the IPA Constitution as the member failed to observe a proper standard of professional care, skill or competence. The above constitutes a failure to observe a proper standard of professional care, skill or competence; and
- d) Breached clause 98(2)(f) of the IPA Constitution as the member has engaged in conduct which is not in the best interests of the IPA. The above constitutes conduct that is not in the best interests of the IPA.

The Tribunal further resolved that the following penalties are imposed:

- Forfeiture of membership.
- Costs of \$2,500 plus GST.

### Moses Joseph Hanna – FIPA FFA

The IPA Disciplinary Tribunal of 12 April 2019 determined that the following case presented against the member was proven:

- a) Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws clauses 2.1.2 and 2.1.3 and in particular APES 110 – Code of Ethics for Professional Accountants. The member has engaged in unprofessional and dishonest conduct by providing (or agreeing to provide) letters on the firm's letterhead containing false and misleading information for the purposes of the client giving such letters to third-party loan providers. The member's conduct in knowingly making false representations as to a client's income for the purpose of it being relied upon by a lender is unacceptable and must be condemned in the strongest terms;
- b) Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA By-Laws clauses 2.1.2 and 2.1.3 and in particular APES 305 – Terms of Engagement. The member failed to document the terms of engagement in a timely manner;
- c) Breached clause 98(2)(b) of the IPA Constitution as the member failed to observe a proper standard of professional care, skill or competence. The above constitutes a failure to observe a proper standard of professional care, skill or competence; and
- d) Breached clause 98(2)(f) of the IPA Constitution as the member has engaged in conduct that is not in the best interests of the IPA.

The Tribunal further resolved that the following penalties are imposed:

- Forfeiture of membership.
- Costs of \$2,500 plus GST.
- Fine of \$2,500.

Details of one other case presented at the Tribunal of 12 April 2019 can be found in the complete listing of Tribunal findings on the IPA website ([www.publicaccountants.org.au/about/complaint-investigation/tribunal-hearings-decisions](http://www.publicaccountants.org.au/about/complaint-investigation/tribunal-hearings-decisions)).

# 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

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Vivienne McNab

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Sueanne Beh  
Nicholas Cassimaty  
Mary Frances Cave  
Mohammed Dean  
Cherilyn Ellis  
Robert Gonzalez  
Mohammed Ichrakie  
David King  
Darren Klower  
Diala Meknas  
Charlie Mourad  
Hyun Oh  
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Shahidul Sarkar  
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Thi Le Quyen Tran  
Aman Walia

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Gehan De Silva  
Daniel Demirci  
Amit Deol  
Utpal Dhar  
Jo-An Evans  
Ete Elom Gbikpi-Benissan  
Hana Goodman  
Willis Lie  
Helen Phi

Dima Podvysotsky  
Srimathi Poobalasingam  
Raghuvir Reddy Ravula  
Jiewen Shi  
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Philip Tadros  
Danielle Twine  
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Sally-Anne Fealy  
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Jacqueline Mackay  
Vasilisa Rapert-Saraikin  
Matthew Stockill  
Megan Taylor  
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Jennifer Young

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Thomas Cooper  
Winston Pestana  
Sahaj Preet  
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David Vannetiello  
Karthik Vijayaraghavan

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Edirisinghe Ranganie Edirisinghe  
Mace Turco

**Tasmania**

Junnan Li

Sinuo Zhan

**Malaysia**

Weng Yew Chew

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Jainudeen  
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Daniella Remy

**China**

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**Victoria**

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**Queensland**

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**South Australia**

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Lindamulage Niraj De Silva  
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Jia Jing  
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Salend Kumar  
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Jeong Lee  
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