

# Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

## DON'T BLAME NATURE

Researchers say there's nothing natural about natural disasters

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## THROW ANOTHER SHROOM



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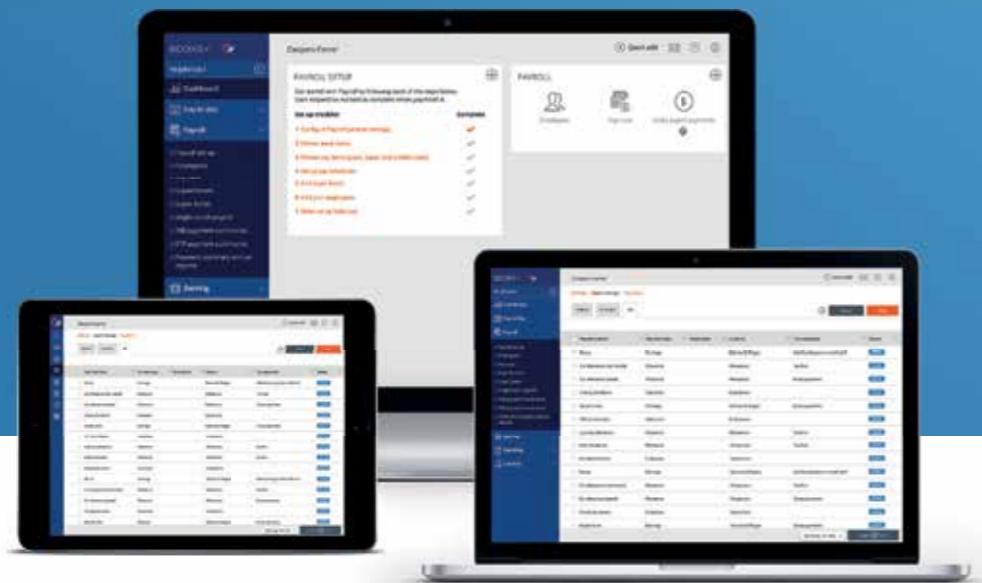
ALSO  
KEY FEATURES OF  
THE CODE OF ETHICS  
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by Maja Garaca Djurdjevic

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Created in October, @buyfromthebush has surpassed its founder's expectations, speedily achieving its mission to connect bush businesses with city customers and help drought ravaged communities

### Member profile

Ocean swimming, cross-country bike riding... Annette Tasker is much more than your typical accountant. She prides herself on her on-the-go lifestyle and is always happy to lead by example on issues such as mental health and sustainability



### Editor's letter

Welcome to the April/May edition of the *Public Accountant* magazine. In this edition we discuss a number of significant topics that have been front of mind for Aussies this past summer.

We delve into the somewhat controversial subject of veganism and explore how this rising economy is affecting our day-to-day lives and what impact animal agriculture actually has on the environment.

We also consider the recent catastrophic bushfires through an abstract lens, delving into the importance of the river and the Indigenous experience.

Next, we look at the coronavirus stimulus packages, and what governments are doing to help cushion the economy.

We then move onto money laundering, a topic seldom talked about in Australia, but one that has garnered a lot of attention overseas. We explore our mixed record on transparency and how accountants may actually be one of the most vulnerable groups.

Think this is plenty of content? Well, we have more.

We bring you ICSB's list of the top 10 micro, small and medium enterprise trends for 2020, as well as all our regulars.

So, get stuck in and enjoy the read!

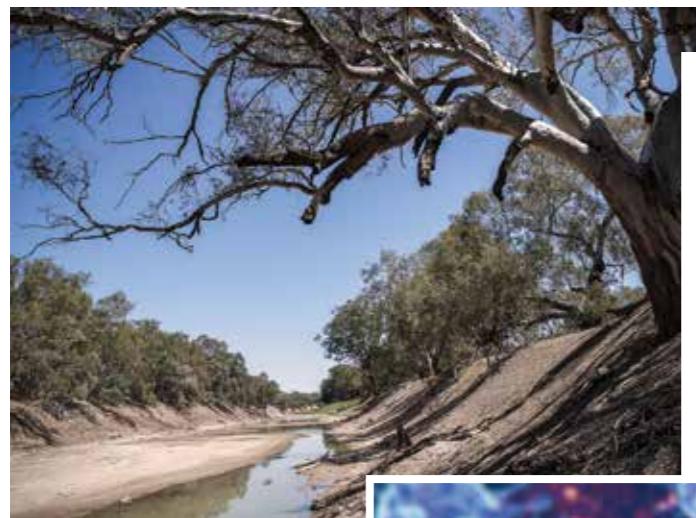
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**Maja Garaca Djurdjevic**  
Content manager

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





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**Don't blame nature for the disasters we've created**

Many Australians blame our variable climate for the recent severe bushfires and crippling drought, but researchers say these 'natural' disasters are not natural at all

**Fighting COVID-19 with government dollars**

Together, all arms of the government have pledged a total of \$189 billion into the economy in order to keep Australians in work and businesses in business, as the country comes to grips with the coronavirus pandemic

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**Money laundering potentially exposes accountants**

Australia has a high official global ranking in terms of its effectiveness in countering money laundering and terrorism financing. However, it is still somewhat vulnerable when it comes to illicit money funnelled through small-to-medium-sized entities

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**The top 10 micro, small and medium enterprise trends for 2020**

2020 and a dawn of a new decade welcome MSMEs with many exciting opportunities for growth and prosperity, yet it comes with hazards and challenges. Recognised globally for their contributions to innovation and improving economic conditions, MSMEs are the number one job creators across the world

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## The cloud and business recovery



| Damien Moore FIPA FFA |

**On behalf of the IPA board, our thoughts and best wishes go to all our members and their families who have been impacted by the devastating summer bushfires and floods across many parts of Australia, as well as the coronavirus outbreak**

**IT TAKES** considerable fortitude to stand up against such adversity and loss. We have heard many stories of suffering and courage, particularly where small businesses in regional towns have been destroyed.

For this reason, it is most pleasing to acknowledge the many members who volunteered to provide pro bono services. The broader community, government agencies, corporations and many selfless individuals have acted on a united front to pitch in and help those in need.

While business disaster recovery includes many things such as building and construction, and reconnection of key services such as electricity and telecommunications, accountants

can play a huge role in helping small businesses find their feet. This includes business planning for recovery, the establishment of accounting systems, liaison with the ATO on behalf of clients, and assistance with tax and BAS obligations.

At the onset of the bushfires, the ATO communicated that people impacted by the fires should not be worried about late lodgements and offered to assist with recoupment of records. This was important as we had several members directly impacted and very concerned about these matters.

Of course, when it comes to business recovery, this is where the cloud can be such a vital working environment.

Operating in the cloud allows you to set up what is essentially a virtual office, providing the flexibility of connecting to your business anywhere, any time.

I am aware that some people get concerned about data protection. However, cloud computing ensures your data is backed up and protected in a secure location. Whether you experience a natural disaster such as those that have occurred recently, power failure or some other crisis, the cloud allows you to access your data quickly, minimising downtime and loss of productivity.

In most cases, cloud computing will reduce the cost of managing and maintaining your IT systems. You can also scale up or scale down your business, allowing flexibility as your needs change, and using the cloud frees up your time so you can get on with running your business and more time to spend with your loved ones.

The more you can bring your clients into the digital world and working in the cloud, the more resilient their businesses will be in the future. ☺

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## Shining in adversity

| Andrew Conway FIPA FFA |

**It has been a tumultuous first quarter for the 2020 calendar year and our thoughts go out to all members and everyone else that has been impacted by the widespread bushfires that have ravaged large parts of Australia, followed by the coronavirus pandemic**

**THE NATURAL** disasters that occurred over summer, including fires, droughts, floods and hail, have caused widespread devastation with the loss of many lives, animals, property and livelihoods. On top of this, the outbreak of the coronavirus has caused more deaths and desolation on a worldwide scale. The ramifications on trade, retail, education, GDP and so on should not be underestimated.

The far-reaching implications of all these events will have a significant impact on small business, just as the fires have, particularly in regional Australia.

Many accountants become 'part of the family' and the community that they work and live in. However, it is true to say that it is often in times of struggle and adversity, that we shine.

At the start of January, the IPA established a pro bono register for members to volunteer their services to help individuals and small businesses impacted by the fires. We implemented the same approach in 2009 when the Black Saturday bushfires in Victoria and floods in Queensland occurred.

This call out for volunteers was to assist those people who do not currently have a relationship with a trusted adviser. I am mindful that some members have been directly impacted and therefore, I am humbled by the significant response from our members wanting to help.

To assist small businesses get back on their feet and be able to look forward to a prosperous and hopeful future is a credit to all involved.

Such disasters take their toll not just materially but also psychologically. The IPA has been heavily involved in the mental health sphere in recent years including advocacy through the Australian White Paper, research through the IPA Deakin SME Research Centre, mental health first aid training, and presentations at events (Beyond Blue, PukaUp and R U OK?).

To further our commitment to mental health and wellbeing, we have commenced a pilot program with a digital member assistance program through service provider Uprise, which will initially target the fire affected areas. The results of this pilot will inform how the IPA moves forward with mental health programs.

I commend the efforts of all those members who have undertaken the mental health first aid training and have been accredited and who may have already used the training in practice.

I am very grateful for the human spirit that lives within the profession. ☺

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# IPA, Reckon announce new initiative

**AUSTRALIAN ACCOUNTING**  
software provider Reckon has bolstered its partnership with the Institute of Public Accountants (IPA), expanding the distribution of the IPA Books+ cloud accounting solution, in a first of its kind industry initiative.

With 38,000 IPA members servicing the small business sector, the partnership will provide every public practice member with five cloud accounting books, enabling them to better cater for the needs of Australian small business.

In addition, for just \$7 per month, members can expand the number of books to service additional clients.

This initiative was member-driven with in-depth feedback following the launch of IPA Books+, a white labelled version of Reckon's flagship cloud accounting solution Reckon One.

Put simply, members vocalised the desire to make running their business and those of their clients easier.

"The continued move to the cloud is a key focus for our

members and the small business community they serve," said IPA chief executive Andrew Conway.

"The IPA and Reckon are committed to ensuring small business has access to cloud accounting solutions to facilitate a transition to online accounting, single touch payroll compliance and facilitate enhanced efficiencies. By providing five books per IPA practice we hope a small business that is currently outside the cloud considers contacting an IPA practitioner to take advantage of this partnership."

Recent updates from the ATO suggest that over 35 per cent, or roughly 300,000 businesses, that employ staff are yet to adopt online accounting, which is required to submit payroll information to the ATO as part of single touch payroll reporting.

Sam Allert, CEO of Reckon, noted that this strengthened partnership with the IPA delivers a unique and compelling proposition to public practice members and their clients.



**5.1 PER CENT**  
Unemployment rate at end 2019  
Source: ABS



**27,000**  
Black economy tip-offs in the H1 2019-20  
Source: ATO



## States step up coronavirus aid

Western Australia is introducing relief for small and medium businesses as part of its \$607 million stimulus package. NSW has directed \$450 million towards waiving payroll tax for businesses with payrolls of up to \$10 million for three months, while Queensland has announced \$500 million in loans to support workers in businesses affected by coronavirus.



**\$115 BILLION**  
paid late to small businesses  
Source: ASBFEQ



## Unpaid super amnesty bill passes Parliament

Parliament has passed legislation to encourage employers to catch-up on paying superannuation entitlements to staff. The Treasury Laws Amendment (Recovering Unpaid Superannuation) Bill 2019 gives a one-off amnesty to employers, offering them an opportunity to get up to date with outstanding super payments to current and past employees, without being slugged with the harsh penalties that usually apply.



**48**  
Australia's rank in the 2020 Financial Secrecy Index  
Source: FSI



## Legislation only way to fix payment times

The Australian Small Business and Family Enterprise Ombudsman (ASBFEQ) Kate Carnell has warned big business that if they continue to flout reasonable payment terms, she will have no choice but to recommend federal legislation requiring all businesses to be paid in 30 days. Telstra and Rio Tinto have moved to 20-day payment terms for SMEs and Ms Carnell believes "there is no reason why other big businesses can't do the same".

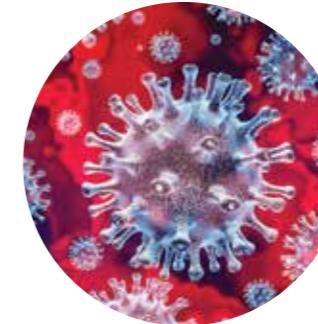


**\$115 BILLION**  
paid late to small businesses  
Source: ASBFEQ



## Australia not doing enough on AML

Australia is not doing enough to counter money laundering and tax avoidance, according to the 2020 Financial Secrecy Index, ranking in 48th position out of a total 133 countries. It accounts for less than 1 per cent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions. However, the Tax Justice Network's index suggested that Australia is not doing enough to stop illicit funds finding a safe haven, taking a particular aim at its anti-money laundering laws.



## Government announces second COVID-19 stimulus

The government has announced the second stage of its economic plan to cushion the economic impact of the coronavirus, pledging a further \$66.2 billion to support business and sole traders. A total of \$189 billion is being injected into the economy by all arms of government in order to keep Australians in work and businesses in business. Prime Minister Scott Morrison said the government was acting to cushion the blow from the coronavirus for businesses and households.



## ATO pledges bushfire tax assistance

The ATO has extended a package of tax assistance for people impacted by the devastating bushfires across the country as part of the whole-of-government response to the disaster. Approximately 3.5 million businesses, individuals and self-managed superannuation funds in impacted local government areas will now have until 28 May 2020 to lodge and pay business activity statements and income tax returns. Additionally, the ATO is fast-tracking any refunds that are due to taxpayers in the impacted regions.

## IN THE MEDIA

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

### Mental health

"Our members are very often the first to see the struggle signs within their clients, and therefore, we would like to see our members better equipped to support their clients and themselves through mental health first aid training," Mr [Andrew] Conway said. Accountants Daily

### SG loophole

"The IPA had originally advocated for the measure to be brought forward from its proposed start date of 1 July 2020 to the start of this financial year, namely 1 July 2019," [Andrew] Conway said. "We were pleased that the Senate at least partly agreed with our position and recommended the measure be brought forward to 1 January 2020."

- *Selfmanagedsuper Magazine*

### Division 7A amendments

"Given the current political environment, we believe the proposed start date of 1 July 2020 is unrealistic given significant differences in the policy direction being proposed," said the IPA in its 2020-21 pre-budget submission. "We recommend that further consultation be undertaken to revisit ways to minimise the operation of Division 7A to businesses that use corporate profits to fund business activities."

### Sustainability

"Sustainability for us, is not just a buzzword. We want it to be a way of life. We want it to be part of our culture, we want it to be something that permeates everything that the IPA does as an organisation. But also extending to our members, to the profession," said Vicki Stylianou, IPA group executive for advocacy and technical.

- Accountants Daily

### myGovID deadline

"The ATO has been adamant to us, despite the bushfires, despite a lot of other issues, they are adamant and for them to default to myGovID for the login, they are ramping it up despite whatever else is happening in our world." Tony Greco - SMSF Adviser

### Bushfire support

"At the IPA, we are very mindful that many of our members and their families are being or have been affected by the current bushfire crisis which is sweeping across many areas of our country. The authorities have warned that the fire situation may worsen with the predicted weather conditions," said the general manager for media and strategic communications, Wayne Debernardi. "For any member affected, we want to hear from you and ask what support we may be able to provide."

- *Public Accountant Hub*

LAURA VIDAL, who has been helping communities and organisations take practical action on modern slavery for more than a decade, says simple changes start with awareness.

"For your everyday person, having awareness that modern slavery happens, not just in the products they purchase but also in Australia, is really important," she says.

Ms Vidal, a criminology PhD candidate at Monash University, says we can all play a part in helping tackle modern slavery by educating ourselves about the supply chains of companies we buy from.

Information is readily available on a variety of apps and websites designed to help buyers make choices that don't contribute to modern slavery, she says.

"Good On You is a really great app, which is focused on the fashion industry, and it rates brands around their impact on people, plants and animals. So if you download that when you're in the store, you can search the brand, and it will give you a rating as to how well that brand is performing on the issues that you care about," Ms Vidal says.

"I'd also jump on and check out the Fashion Revolution in Australia, and that's a really practical campaign around engaging with the fashion industry around ethical decision making."

Ms Vidal also recommends slaveryfootprint.org, which maps supply chains to help inform consumer choices, and endlaverynow.org, which offers a similar tool.

"The other thing I would say, is to check out organisations' or brands' sustainability and ethical procurement policies, and

# Simple changes to shrink your slavery footprint

From investment by global multinationals to your daily cup of coffee, we can all take action to help wipe out modern slavery

by Susan Carland and Laura Vidal |

if they don't exist, ask the question of them and say 'you know, I'm really interested in purchasing this product, but I want to know the answers to these questions', and then make those decisions," she says.

Ms Vidal cautions against boycotting products or brands based on supply chain issues. Boycotting can have unintended negative consequences for the very people it aims to protect.

"(This is) work that might be being undertaken, obviously in less than ideal conditions, but it is still work that people are engaged with. And when you take that away entirely, it actually makes the situation worse for them," she says.

"There is a difference between what is a bad job and what is actually slavery. And the difference is the freedom to leave," says Ms Vidal.

"And so you need to be really tuned into what the actual indicators of that are and they're things like being forced to work through violence or threats, or excessively long hours

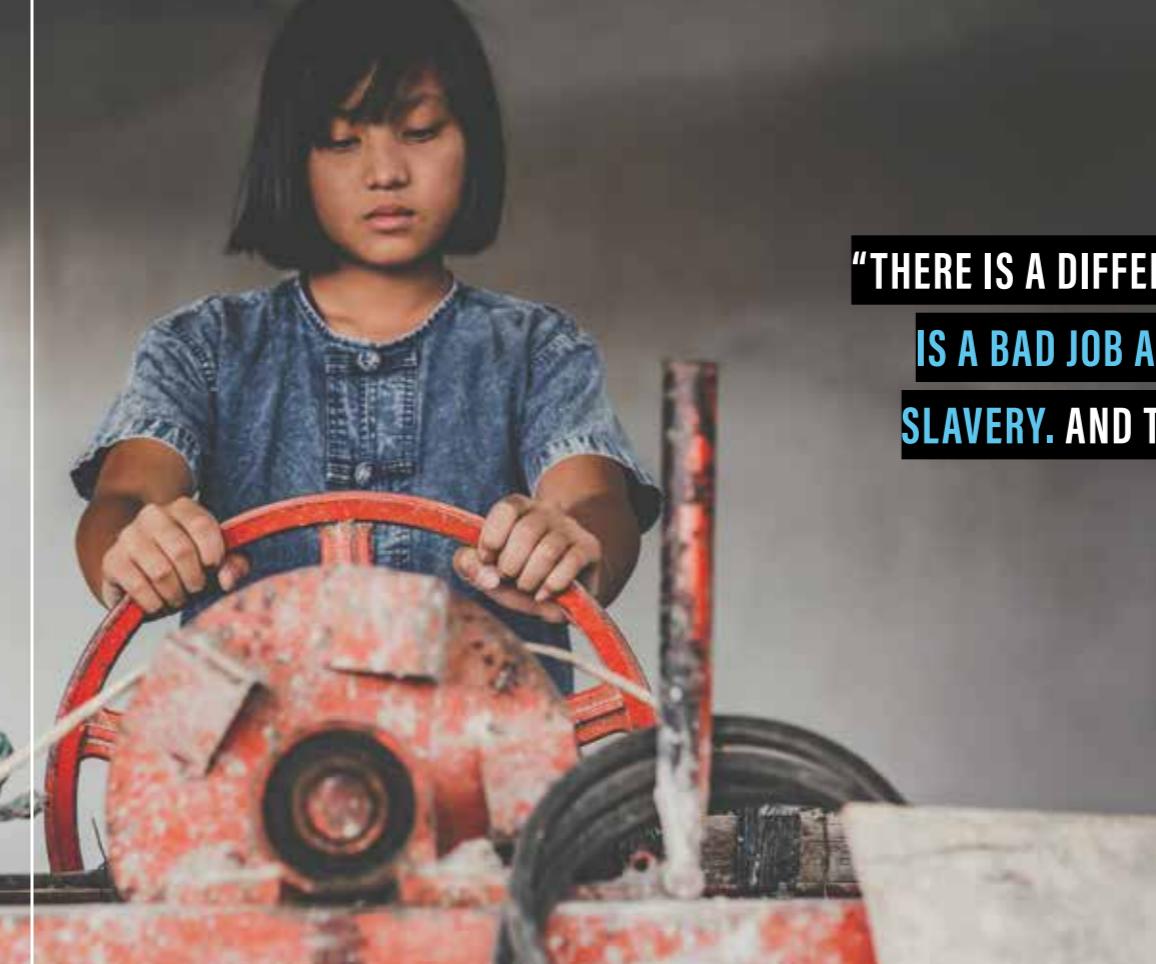
It will have a more positive and longer-term impact on the workers as well as the brand and the consumers."

Ms Vidal also has some practical advice for those who believe they are witnessing modern slavery in action.

She says one example could be a staff member at a shop or service who discloses to a customer that they are being exploited.

In this situation, it's critical to understand the indicators that point to modern slavery, and to ensure the person disclosing actually wants you to report their claim, she says.

"In my time supporting victims of trafficking and slavery in Australia, we did receive referrals to our service from people who had simply asked the question 'Is this a good place to work?' And the person felt safe enough to say, 'Well, no, actually it isn't. This is what I'm experiencing and I need some help,'" she says.



"THERE IS A DIFFERENCE BETWEEN WHAT IS A BAD JOB AND WHAT IS ACTUALLY SLAVERY. AND THE DIFFERENCE IS THE FREEDOM TO LEAVE"

"If you're a lawyer, you can get involved and use the law and the regulations. If you're a journalist, you can write about it."

Both experts agree there is plenty of action we can all take, and much hope for the future.

For Ms Vidal, awareness and understanding are key.

"Having some handy tips on an app, in your phone, in your notes about what you do - if there's something you're worried about - and acting on it could change somebody's life. I think it's a really important conversation to have." 



**Susan Carland**  
director, Bachelor of Global Studies, Monash University



**Laura Vidal**  
criminology PhD candidate, Monash University

Ms Vidal says specialist NGOs include the Salvation Army's trafficking and slavery safe house, Anti-Slavery Australia's legal service and the Australian Red Cross. Information can also be referred to the Australian Federal Police, which leads the criminal justice response to trafficking and slavery.

"Naturally, if it's an imminent danger kind of situation, triple zero and a follow-up call to the AFP is really appropriate," she says.

**Business has a role to play**  
Kimberley Cole has been helping businesses manage the risk that is modern slavery for more than 20 years.

A Monash economics graduate, Ms Cole is currently global head of sales at Lynk Global after 30 years with Thompson Reuters, where she instigated a series of anti-slavery summits.

She says businesses are now recognising the presence of modern slavery in their supply chains as a reputational issue similar to that of environmental sustainability. It can be a risk to recruiting the best talent, along with the consumer risk.

As a result, companies have started investing in directly assessing their supply chains and implementing sustainable and ethical procurement policies.

"I think the focus is certainly there now, with Australian companies and obviously more globally. And a lot of that comes down, of course, to regulation and that's when regulation can be a benefit," Ms Cole says.

"The UK introduced their Modern Slavery Act in 2015 and Australia introduced their own Modern Slavery Act in December 2018 and so now the fact that a requirement is there

obviously means companies have to take more notice. I think that was a huge achievement, especially for Australia, to implement that *Modern Slavery Act*."

Ms Cole also has some advice for individuals.

"I think as employees, especially if you're in a high risk industry, where you know that there is difficulty in supply chains, I think you can speak up and add pressure and, in many cases, maybe that is to be a whistleblower," she says.

For investors, it might be considering where they put their money, while others could use any skills they have to get involved in the issue.

"Increasingly, people are looking at much more environmental, social and governance issues around where they will place their investment dollars and I think that's a very good way to start," Ms Cole says.



**"THESE ARE STRESSFUL TIMES, AND IT'S IMPORTANT WE'RE AWARE OF HOW THESE THINGS CAN AFFECT OUR MENTAL HEALTH"**

## Coping with the emotional impact of bushfires

As bushfires continue to rampage through regional communities across Australia, those who have been directly impacted may struggle to come to terms with their new reality

| by Hannah Dowling |

**IN SUPPORT** of those individuals and communities who are affected by bushfires, Beyond Blue has released a new online hub with information and advice for dealing with

the emotional impact of the disaster, including information about the signs of emotional distress, tips for supporting children and young people, and links to useful resources.



Beyond Blue chief executive Georgie Harman said the priority for those affected communities is firstly to cater for their essential needs; however, as time passes, the emotional effect of traumatic events such as this can linger.

"Right now, many people need the basics – shelter, food, water, fuel, cash – and physical safety. Others may be returning to their affected communities," she said.

"These are stressful times, and it's important we're aware of how these things can affect our mental health, both in the immediate and longer term.

"Often, signs of trauma and distress can take months and years to emerge, but it's never too early to get informed about the difference between a normal and common reaction to disaster, and symptoms that indicate a need for additional professional support."

Ms Harman said all individuals affected by fires are likely to experience emotional responses, but

communities will be able to return and rebuild their lives.

"Community, mateship and humour are very much part of our national character, and these will be tremendous strengths as we support each other through these difficult times," she said.

"It's very normal to struggle with difficult thoughts and feelings during and after a disaster like this, and these feelings can be intense and confusing.

"These feelings can be at their most severe in the first week after a traumatic event but, in most cases, fade over a month."

### When to get help

Anyone living in a bushfire-affected community is likely to have an emotional reaction, as their properties, jobs and the lives of community members and local firefighters are put at risk.

Ms Harman said emotional responses are normal and expected, but should they

continue to linger on after life returns to a sense of normality, it might be time to seek help.

She highlighted that common emotional reactions to disasters include:

- Feeling overwhelmed, numb or detached;
- Constant tearfulness and intrusive memories;
- Irritability, difficulty sleeping or dreaming about the event;
- Using alcohol or drugs to cope; and
- Constantly questioning the actions they took during the disaster.

For people who experience the above emotional reactions for more than one month after the disaster, Ms Harman recommended they speak to a GP or mental health professional.

She also noted that ongoing effects of traumatic events may take some time to develop and could be more intense than the common emotional effects of a disaster.

"The mental health impacts of bushfires can emerge within weeks, months or years. Knowing the signs and not ignoring them and seeking support early is an important

step towards managing these issues," Ms Harman said.

Beyond the common emotional responses, those suffering from the following symptoms are encouraged to seek professional support:

- Avoiding things that bring back memories of what happened to the point where you're unable to carry out day-to-day tasks;
- Frequently being easily startled e.g. jumping when a door slams and then taking a long time to calm down;
- Feeling overwhelming fear for no obvious reason;
- Thoughts of ending your life or self-harm; and
- Panic attack symptoms: increased heart rate, breathlessness, shakiness and dizziness.

"The bushfires burning across Australia have claimed lives, decimated wildlife, destroyed property and led to lost livelihoods, so it is an incredibly challenging time for individuals, families and communities," Ms Harman said.

"We're all different, and we

all react in different ways to trauma: there's no 'right' or 'wrong' way to respond, so don't tell yourself or others

what you or they should be thinking, feeling or doing. If we come together and support one another, and make sure people have access to support when they need it, we can recover."

### Tips for coping with the emotional impact of bushfires

Beyond Blue has compiled a list of practical tips on how to deal with the emotional impact of a natural disaster, such as:

- Spend time with people who care;
- Know that recovery times will differ for everyone;

● Find out about the impact of trauma and what to expect;

● Try to keep a routine and return to normal activities as soon as possible;

● Talk about your feelings or what happened when you're ready;

● Do things that help you relax;

● Set realistic goals;

● Review and reward your progress, even small steps; and

● Talk about the ups and downs of recovery.

### How to talk to children about the bushfires

Children's reactions to trauma may be more severe than adults. Contact your bank for more information or to find your bank's hardship team.

### FURTHER BUSHFIRE RELATED HELP

#### GENERAL RESOURCES

● The Australian Taxation Office has a Bushfires 2019-20 page indicating it is currently automatically deferring lodgements and payments due for identified impacted postcodes.

● The Australian Banking Association is currently running the 'Don't tough it out on your own' campaign. Australian banks have hardship teams ready to assist you with your financial arrangements, depending on your circumstances. Contact your bank for more information or to find your bank's hardship team.

● The Australian government offers payments and services to people directly affected by bushfires in disaster declared areas.

● State support is available for NSW, Queensland, Victorian and Tasmanian communities affected by the bushfires.

● The Association of Independent Insolvency Practitioners (AIIP) is a national association of registered liquidators and trustees. The AIIP is prepared to take telephone enquiries from anyone that has been financially impacted by the fires on 1800 543 448. You can find more information about AIIP on its website: [aiip.org.au](http://aiip.org.au).



**Hannah Dowling**  
journalist,  
Momentum Media



## Remembering Jon Burns

The IPA sadly advises of the passing of Jon Burns, a loyal staff member and colleague on 17 February 2020. Jon served the Institute in a number of capacities over almost 18 years: divisional general manager Tasmania, divisional general manager Victoria and Tasmania, and more recently as manager governance and policy within head office

**JON BURNS** has made an indelible mark on the Institute of Public Accountants. He devoted almost 18 years in service of our Institute and members. Not only was Jon a senior member of the team having held positions of divisional manager Tasmania, divisional general manager Victoria and Tasmania, Jon held the unofficial title of chief congress officer.

Jon pioneered our work in building a sense of community through our events and always putting members first. From the legendary Tasmanian Congress to seeding the concept for National Congress, Jon set the benchmark for quality, member interaction and maybe the odd wine-tasting here and there. A passionate Tasmanian, a proud father, a professional,

our organisation and indeed our members are much richer for having had Jon Burns a part of us for so long. Although Jon is no longer with us, his legacy and love of life will continue as a beacon for all of us - his friends and colleagues as we come to terms with life without Burnsy.

At a personal level, I will sincerely miss his counsel, which was often 'direct' but always well meaning.

May he rest in peace comforted by the respect and honour he is rightly given for a life well-lived and for the impact he has had on so many. Our deepest condolences to Jon's family and his extensive network of friends but particularly to his loving daughters of whom he was so proud.

- ANDREW CONWAY



**JON CAME** into my life 10 years ago. This larger than life, mature individual that I was supposed to manage. Our relationship soon morphed from colleagues to one of the best friends

I have had the privilege to know and love. I have been lucky over the decade to get to know Jon better than most of the IPA staff. We spent an inordinate amount of time in each other's company. And all over too.

From Launceston to Hobart. Melbourne to Bendigo. Tasmanian, Victorian, NSW, West Australian and National Congresses. And on to Aspen where the legend of the 'odd couple' was cemented.

When I first visited Hobart for work I was invited to share Jon's home. Initially this was viewed by me as unprofessional. However, after being reminded that I was needlessly wasting members' money I relented. And it was one of the best decisions ever! Jon was the host to beat all; he could cook, converse on a whole host of topics and then there was the wine. A cellar to rival most, we spent countless evenings talking, eating and drinking (not necessarily in that order) to the accompaniment of Leonard Cohen, Bob Dylan or Bruce Springsteen.

He started referring to me as LB (little brother) and I to him as BB. I can think of no other person I would rather have as my older – and much wiser – sibling!

- ARTHUR BURT

**JON WAS** a much loved friend and colleague. I will always treasure our shared memories, like driving around parts of Tasmania, which he proudly showed off, as we enjoyed the sights, food and wine. He used to make me drive so he could sleep, otherwise he insisted on playing Leonard Cohen, so I preferred that he sleep. We enjoyed many robust discussions about politics or music or work.

We shared a love of dogs and I know that Leo will miss him as much I do. I'll even miss his long emails and being scolded for all sorts of things like not chopping the vegetables properly or approving his leave fast enough or liking everyone, as he kept telling me that he didn't suffer fools gladly.

I'll miss not being able to talk to him and get his thoughts on so many things. But I know that he's wining and dining at some great jazz club. His legacy lives on with his wonderful daughters and grandchild. He will always be with us.

- VICKI STYLIANOU



# Strong auditor independence requirements: A key feature of the revised Code of Ethics

The Code of Ethics for Professional Accountants has undergone restructuring, with the mandatory changes sighted as the most extensive in approximately 20 years. Channa Wijesinghe of the Accounting Professional and Ethical Standards Board (APESB) tells *Public Accountant* what the changes mean for Australian accountants

| by Channa Wijesinghe |

**THE INDEPENDENCE** of the auditor is a key determinant of a robust audit regulatory framework, and this matter has received some attention at the parliamentary joint committee's (PJC) inquiry on audit regulation in Australia, as well as globally.

Based on a review of the submissions to the PJC inquiry, it is disappointing to note that a significant number of respondents to the inquiry appear to have a limited understanding of the existing auditor independence requirements in Australia that have operated for most of the last decade.

While there are invariably instances of non-compliance with the existing auditor independence requirements, which need to be appropriately dealt with, any new proposals need to take into consideration the existing requirements.

In addition, legislators should also take into consideration that from the first of January this year, the most substantial revision in the last two decades to the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the restructured code) has now come into effect.

The revisions to the code, which is mandatory for audits and reviews in Australia, is the culmination of a five-year project to make auditor independence requirements stronger, clearer and more enforceable by regulators and monitoring bodies. The new code brings Australian auditors in line with the International Code and incorporates additional Australian-specific requirements.

The Australian Code (APES 110) is based on the International Code

issued by the International Ethics Standards Board for Accountants (IESBA) and is developed in a globally transparent manner following a rigorous process overseen by the Public Interest Oversight Board.

The restructured code strengthens the approach to addressing threats to auditor independence and requires discontinuance of interests, relationships or services where threats could not be eliminated, or safeguards could not be appropriately applied.

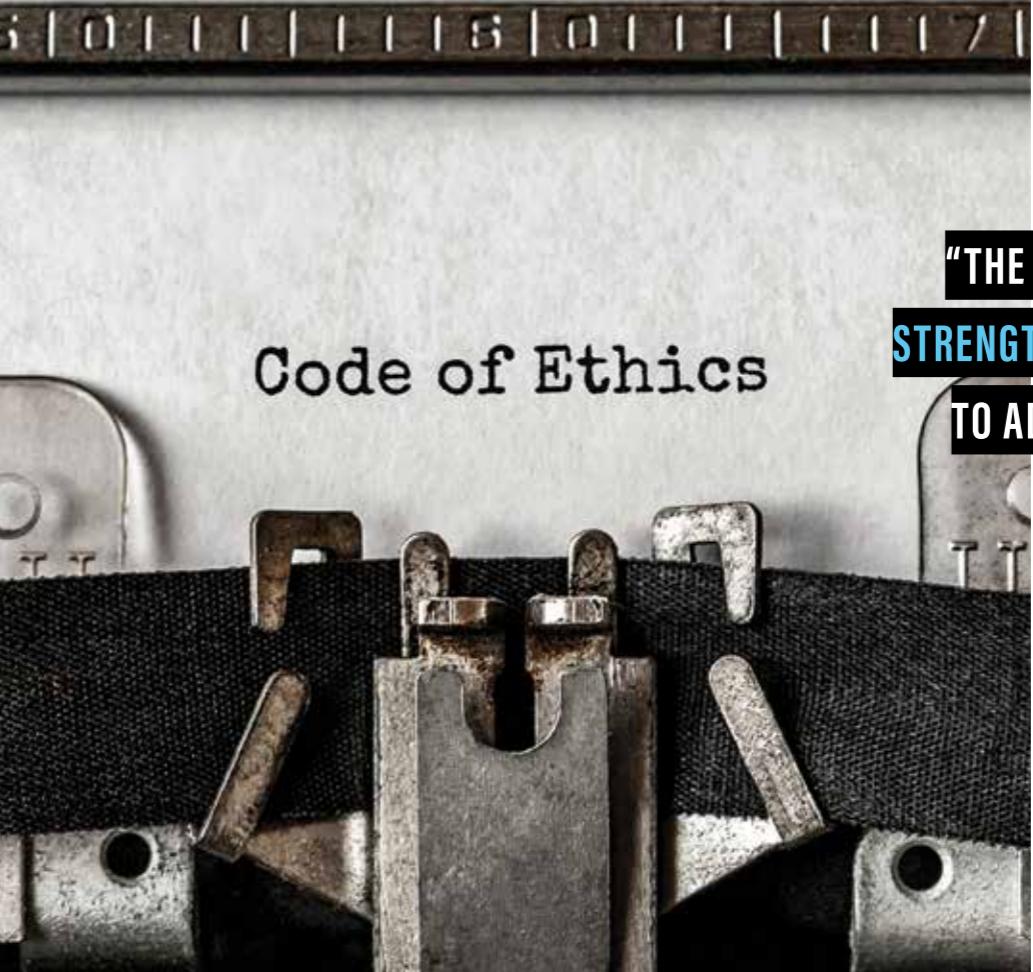
A clear advantage of this principles-based approach, supplemented by prohibitions in specific circumstances, is that it stimulates thinking and the need to take action to address threats to an auditor's independence while being sufficiently broad to address future types of services firms may provide to audit clients. Compared

with a prescriptive list of prohibited services alone, such as in the US, we firmly believe we've created changes that will stand the test of time for years to come.

Another major change to the code applies to the 'cooling-off' period for audit engagement partners of public interest entity (PIE) audit clients. The 'cooling-off' period has now increased to three years and after 31 December 2023 will increase to five years. This goes further than the Corporations Act 2001, which only stipulates two years. While these are key enhancements, the existing code has long acknowledged the importance of auditor independence, including the distinction between services provided to audit v non-audit clients.

There is a difference between the Australian prohibitions in comparison with the US in that some immaterial services can be provided in Australia. However, it is expected that even this exception may be removed due to changes proposed in an international exposure draft on non-assurance services issued by IESBA in New York.

We believe the existing prohibitions have restricted other services provided by firms to their audit clients and have been crucial towards upholding auditor independence. We favourably note, for example, that the ratios of fees for other services to audit fees disclosed in the firms' recent submissions to the PJC inquiry on audit regulation are significantly lower than the regulatory



## "THE RESTRUCTURED CODE STRENGTHENS THE APPROACH TO ADDRESSING THREATS"

such as the extensive range of APESB's professional standards that apply to non-assurances services in Australia. This comprehensive professional standards framework is a feature absent in most G20 jurisdictions, including the UK.

While the restructured code, which commenced on 1 January 2020, will assist accountants and auditors in understanding and complying with the code's requirements better, it is also expected to facilitate monitoring

and enforcement by the regulators and professional bodies, which is a key component of an effective regulatory framework. [②](#)



**Channa Wijesinghe**  
CEO of the Accounting Professional and Ethical Standards Board (APESB)

cap of 70 per cent imposed in the European Union.

An ASIC audit quality measures report issued in December 2019 covering audit firms of the ASX 300 entities indicate that the ratio of fees for these entities, in aggregate, for audit and other assurance services compared with all other services for the year ended 31 March 2019 was 22 per cent.

Since 2011, APESB has prohibited an audit partner from being compensated or remunerated for their

ability to sell other services to that partner's audit clients. These existing prohibitions on other services are extended in the restructured code. For example, the prohibition on providing recruiting services in respect of key finance personnel to PIE audit clients is now extended to all audit clients from 1 January 2020.

Some of the matters noted here have been discussed at the PJC inquiry. The APESB has recommended to the inquiry that there should

be enhanced disclosures in respect of audit, audit-related and other services provided to audit clients, as well as disclosure of services provided by other accounting firms in a consulting capacity.

As well as recommending an expanded disclosure, the APESB has issued two additional submissions to the PJC to clarify the existing auditor independence requirements in Australia. It is also important to take into consideration differences in the Australian environment,

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## Advocacy update

Advocacy is an activity by an individual or group that aims to influence decisions within political, economic and social systems and institutions. Lobbying is a form of advocacy where a direct approach is made to legislators on an issue

AT THE IPA, advocacy is used to further the interests of our members, the accounting profession, small business and we

always act in the public interest. Through this work, we grow our reputation; strengthen our voice; and extend our influence.

### "THE IPA STRONGLY SUPPORTS INCREASING POWERS TO COMBAT AND STOP MONEY LAUNDERING AND TERRORISM FINANCING ACTIVITIES"

dynamics; innovation policy; competition policy; and trade policy and internationalisation. The IPA believes it's time for all Australians to stand up and put public interest ahead of political and self-interest. Public interest is central to IPA's future policy development and advocacy efforts.

#### *Concern over changes to employee tax deductions for travel expenses and home occupancy costs*

A joint submission by the IPA, CPA Australia and Chartered Accountants (CA) has raised some concern regarding an ATO Draft Ruling into employee deductions for work expenses. Although the submission believes that

Taxation Ruling TR 2019/D4 (the Draft Ruling), which focuses on the principles of general deductibility, will be very useful for ATO communications, practitioners and taxpayers, there are two aspects of it that need reconsideration. They are the expectation of time-based apportionment of travel expenses to be used by taxpayers, and the disallowance of home occupancy costs.

#### *Increase in uncollected tax debt sees \$15 billion owed by small business*

The Inspector-General of Taxation and Taxation Ombudsman investigation into undisputed and uncollected tax debt in Australia has found an increasing trend in uncollected tax debts over the past four years, with 63 per cent of those debts in June 2018 relating to \$15 billion owed by small business. The IPA, in its submission to the investigation, said contributing factors to this escalating trend were the current challenging economic cycle in Australia; a greater reliance by business owners on ATO payment plans in lieu of repaying the debt; and a lack of early engagement by new business owners with an accountant or registered tax agent to manage unexpected tax liabilities. The IPA also believes that administration of the ATO's tax debt collection process, particularly regarding payment plans, could be improved.

#### *Move to close down money laundering and terrorism financing activities*

The IPA strongly supports increasing powers to combat and stop money laundering and terrorism financing activities. The experience in this area of the IPA's UK operations is helping inform IPA's Australian members, predominantly involved in the small business sector. Therefore, the IPA's focus in a detailed response to the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019 pertains to accountants and the need to educate them so they understand the legislation and their reporting responsibilities to AUSTRAC and other relevant authorities. The IPA will also incorporate increased education about this within the IPA's continuous professional development program for members. The IPA agrees that the legislation is critical but asks that there is consideration of the

impact of compliance costs on small business.

#### *Improving ATO processes to better administer tax obligations of deceased estates*

Moves are underway to improve the way the ATO deals with deceased estates, particularly in the administration of tax obligations. The IPA in its submission to the government's "Death and Taxes – Investigation into ATO systems and processes for dealing with Deceased Estates" believes that it's imperative that inexperienced executors of a deceased estate enlist the services of a qualified accountant or legal representative to fulfil their complex legal and tax obligations. The IPA suggests that the ATO provides a reliable single source of information to executors and tax practitioners with a Deceased Estate Guide, updated and published annually. The IPA also questions the need for an executor administering a low value estate to apply for a tax file number and



**CEO travels**  
IPA CEO Andrew Conway attended the Chief Executives Forum at IFAC in New York where he discussed the issue of mental health. Mr Conway has subsequently been approached by a number of international bodies to outline what the profession can do collaboratively on a global basis.

suggests that a de minimis be introduced by the ATO.

#### **Feedback**

We welcome and encourage all feedback, comments and questions, which can be sent to [ipagroupfeedback@publicaccountants.org.au](mailto:ipagroupfeedback@publicaccountants.org.au).

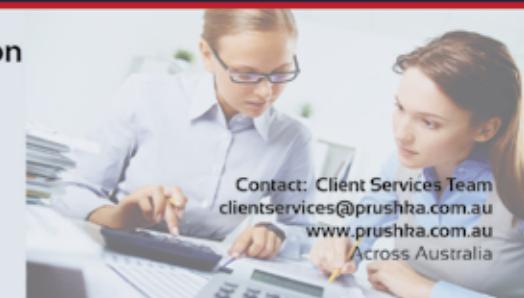
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## Being ethical means having the moral courage to act no matter what

by Vicki Stylianou

**ETHICS, INTEGRITY**, trust and professionalism continue to be topical across many sectors, industries and professions, including accounting.

From the IPA's perspective, we are seeking to encourage and enhance professionalism across our membership and the broader profession. We do this through various measures including providing members with technical tools and resources, conducting

quality assurance reviews, undertaking CPD audits, enforcing the Code of Ethics (APES 110) and a wide variety of measures required by the Professional Standards Councils.

As a member of the International Federation of Accountants (IFAC), the IPA encourages members to consider and learn from the insights provided by IFAC. In December 2019, IFAC released

instance, you may feel like turning a blind eye rather than reporting a colleague, but your professional and ethical duty is to report the wrongdoing. This requires an act of moral courage, where you must act even when you know it will result in a bad outcome.

It is interesting to explore the notion of moral courage further. There is considerable academic research on why some people perform heroic acts of altruism and compassion while others stand by and do nothing. For instance, why do firefighters risk their lives, as in the recent Australian bushfire crisis, to save the lives and property of people they've never met. The research indicates that these people have a particular altruistic perspective that makes them see the world differently and where they see themselves as bound to others through common humanity.

Not everyone needs to be an altruist, but as professionals we must always act professionally and ethically, not just when dealing with clients or in the context of our employment, but at all times. Even though many members and accountants would protest that of course they always act ethically, it is important to know what this means; and that includes having the moral courage to act ethically no matter what the consequences might be. [P](#)



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

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## UPFRONT

Wayne's world

# Mentoring (according to the Benjamins)

What makes a good mentor? I am sure we all have different perspectives and definitions. Some may say a good mentor is only as good as an attentive and willing to learn mentee

by Wayne Debernardi |

**BENJAMIN FRANKLIN**, born 1706, was a polymath, a leading writer, printer, political philosopher, politician, Freemason, postmaster, scientist, inventor, humourist, civic

activist, abolitionist, statesman and diplomat. He was also the only one of the Founding Fathers of the United States to sign all three documents that freed America from

Britain; the Declaration of Independence, the Treaty of Paris and the US Constitution. He also did a great trick with a kite and a metal key.

As a polymath, I would think Ben Franklin would have made a great mentor. He had the knowledge and the communication skills to carry it. On the subject of mentoring, he has been quoted as saying, "Tell me and I'll forget. Show me and I may remember. Involve me and I will learn."

I recently caught up with one of my mentors, John Shrvies, probably the most prominent of mentors in my career to date. He is retired and is now 75. I touch base with him a couple of times a year or I may see him at a networking gathering that takes place twice a year.

Some mentoring relationships just happen as if a course of nature. Other times a mentor may approach a prospective mentee with the knowledge the person may need guidance and the mentor is more experienced and can add value by imparting his or her knowledge.

In the case of John, I made the first move as I was at one of those crossroads that inevitably appear from time to time in one's career. I needed a mentor and John was someone I had worked for and then with and I had the comfort level of knowing I could confide in him and that he would listen.

John is of Benjamin Franklin's ilk. He took up the gauntlet that I threw his way but made it clear he was not going to make decisions that I needed to derive for myself.

Follow Wayne Debernardi  
twitter.com/debernardwayne

Instead the mentor-mentee relationship, which has now spanned almost 25 years, has been one of open discussion, challenges and validation. I am very grateful for the learning over the years and for the few I have mentored along the way; my approach has been very much the same as John's, perhaps with some variations depending on the mentee; whether they be individuals in a personal development phase or a small business looking to grow.

I am sure that many others have different approaches that may be as effective, but for me the Shrvies and Franklin methodology works. I have been able to grow by having the freedom to make mistakes and learn from them and at other times I have been challenged further before coming to a final decision. I have been empowered through the mentoring process.

Fourteen years after Benjamin Franklin died at the age of 84, another Benjamin was born and was to share similar views on mentoring. Benjamin Disraeli (born 1804) twice served as the prime minister of the UK and is cited with this: "The greatest good you can do for another is not just to share your riches but to reveal to him his own."



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

## INNOVATION

The next tech shift

### Melbourne innovation could help fight coronavirus

A nasal spray developed by Melbourne-based Firebrick Pharma has reportedly shown signs that it could act as a disinfectant to help stave off the spread coronavirus, or COVID-19.

It has not yet been approved for sale, but clinical trials have established its safety and clinical effect in treating the common cold.

According to Firebrick Pharma's website, recent tests have revealed that Nasodine eliminates the infectivity of coronavirus after a 60-second exposure.



### World-first coronavirus exposure tracker launched

Safeture has launched a world-first coronavirus exposure tracker for companies that, in real-time, correlates each employee's travel patterns with the latest COVID-19 reported cases.

The tool tracks daily virus exposure into 5,000 global subregions and in real-time checks with your employees' historical, current and future locations using both real-time GPS tracking and travel booking data.

The tool enables security, HR and risk manager to get daily reports on corona risk exposure of each employee based on each employee's unique travel pattern.



### Innovative skills absent

Accessing the skills needed to put innovation into action is still a major problem for Australian businesses, a business technology provider has cautioned.

In releasing its second Workplace Innovation Index in Sydney last week, Ricoh Australia said that while Australia has always been a nation of innovators, "the challenge we face today is a lack of focus on taking our good ideas and developing businesses around them".

Australia slipped one place to 14 in CEDA's global ranking of the digital competitiveness of 63 nations, with key weaknesses including business agility, tech skills and communications.

### Smart stadiums coming

Advancements in 5G technology will soon see stadiums turn 'smart', with facial recognition set to replace standard ticketing, among other things.

According to Optus, football fans will be able to watch crystal-clear try replays by pointing their phone at the try line. They'll also be able to order a meal and a drink and have it delivered directly to their seat.

Optus is currently rolling out 5G technology over 300 sites located across Sydney, Brisbane, Melbourne, Adelaide, Perth, Canberra and other key locations outside of the capital cities areas.



### Japanese robot taught to feel

A hyper-realistic Japanese robot has been taught to feel, sense and express pain.

The disembodied robot, programmed to smile and grimace, looks like a child and is hoped to aid researchers in teaching artificial intelligence empathy in order to better care for humans.



For all things innovation visit  
publicaccountant.com.au/innovation

"AN INCREASING NUMBER OF COMPANIES ARE EXPANDING THEIR CONSUMER APPEAL BY STAYING AWAY FROM ANIMAL INGREDIENTS WHENEVER POSSIBLE"

# BECOMING VEGAN

In case you're worried this piece is all about propagating veganism, I will start off by disclosing a truth – I myself am not a vegan

| by Maja Garaca Djurdjevic |

The reason I write this, however, is that many of my nearest and dearest are, and over the past couple of months I have heard some very compelling arguments forcing me to ponder my choices.

Eating meat isn't really a choice. You're born into it. But becoming vegan is.

And what I once considered a fad and a trend propelled by the "cool kids", I now see as a genuine lifestyle choice made by many for differing reasons, whether environmental or health enthused.

A couple of months ago and pressured by my colleagues who were dropping like flies in their pursuit of plant-based lives following the release of the Netflix documentary *The Game Changers*, I began to explore this topic in depth.

I Googled, and I quickly met London's Avocado Accountant.

I won't deny it, my brain went straight to an image of

a suitcase holding glasses sporting avocado, but after overcoming a rather prolonged burst of the giggles, I gave his philosophy the attention it deserved.

What I discovered is that London has become a hub for plant-based businesses, including a vegan recruitment agency, vegan temping, vegan coworking spaces (not yet sure how these are policed), a vegantech search filter, a vegan delivery app, and even a vegan business bootcamp.

Avocado Accountant, Keith Lesser – an actual accountant – decided to begin working with plant-based firms after two clients passed away from heart disease and cancer.

He started to lead a vegan lifestyle and, inspired by the changes he was seeing in himself, he decided to set up shop for vegan businesses.

Mr Lesser is now also a prolific blogger, and in one of his recent write-ups he says that "veganism is inevitable".

Asked about the acceptance of veganism in Australia, Mr McFarlane says that according

to estimates, 2 per cent of Australians are vegan. This is approximately 500,000 people.

According to a Roy Morgan Research study from 2019, almost 2.5 million Australians whose diet was all or almost all vegetarian.

This represents over 12 per cent of the population and a 13 per cent rise over the previous four years!

In further statistics, according to market researcher Euromonitor International, Australia is the third-fastest growing vegan market in the world.

"An increasing number of companies are expanding their consumer appeal by staying away from animal ingredients whenever possible," says Ewa Hudson, head of health and wellness at Euromonitor International.

Mr McFarlane tells me that his organisation too is attracting growing interest, particularly its

Vegan Australia Certified program, which engages with manufacturers to make sure that their products are void of any animal products.

Just recently, some major Australian brands have come on board, including Vegemite, Peters with its vegan Drumstick, and Event Cinemas' popcorn and vegan Choc Tops.

"About 10 years ago there was virtually no processed vegan food, you couldn't get any in cities," Mr McFarlane says. "But now you have supermarkets selling these products."

Analysis by Vegan Australia shows that the number of vegan products listed by Woolworths has increased at a rate of 44 per cent per year. Raw figures are 446 in November 2018 and 597 in August 2019 as displayed by Woolworths online search.

#### Animal cruelty

As we mull over these statistics, Mr McFarlane asks me whether I have seen the movie *Dominion*.

*Dominion* is an Australian-made film that uses drones, hidden and handheld cameras to expose the dark underbelly of modern animal agriculture.

Mr McFarlane tells me that the underlying message of the film is something most of us refuse to face – animals suffer no matter how they're treated in farms.

As we discuss the horrendous conditions animals are often subject to, I give in to my head and ask what it would do to our economy if we as a collective say no to animal slaughter?

"A lot of those beliefs that people hold in regard to the importance of animal agriculture are myths," he tells me.



## "THE SCIENCE IS OVERWHELMINGLY UNITED ON THE FACT THAT WE CANNOT CONTINUE TO MASS FARM IN THE WAY WE HAVE FOR THE PAST 50 OR SO YEARS"

Australian Bureau of Statistics (ABS) tables for agricultural commodities produced, show that in 2016-17, plant products made up 54 per cent of the total value of agriculture, or \$32.8 billion, while animal products were valued at \$28.0 billion.

Digging deeper, I learn that in 2018, agriculture contributed around 2.46 per cent to Australia's GDP, with animal agriculture making up about half of that.

"We do a lot more business of teaching overseas students at universities than we do with animal agriculture," Mr McFarlane tells me.

And its share in our total employment is about the same, he assures me.

"About 1.5 per cent of people

are employed doing animal agriculture," he adds.

Mr McFarlane's vision is that within 10 years there will be no animals in our agriculture system.

"We forget that animals don't just pop into existence, they're deliberately bred," he says.

While we would need to find new jobs for our animal farmers, Mr McFarlane assures me that this is more than possible if we put in place a 10-year animal farming eradication plan.

"Given good will by the people and the government, that is quite possible," he says.

"We could do it without much disruption at all."

So, I go back to Google and discover Sans Beast

Studio – a perfect example of a flourishing business purely founded on vegan philosophy.

#### Examples of change

Having changed her diet substantially, Kathryn Wills was prompted to think more deeply about the raw materials she was working with.

She left an executive role and took some time to consider whether being an employee or a founder was her calling.

"I decided on the latter, and jumped head first into launching a vegan brand with the vision to establish a design led, accessibly priced, quality brand that didn't use animals as the building blocks," Ms Wills tells me.

She launched her vegan handbag and accessories label Sans Beast in 2018, and has since attracted overwhelming support.

"We've been embraced by the Australian community – and internationally – to a degree that I didn't foresee. Naturally I'd hoped for a strong start, but the growth in our community has been heartwarming and very encouraging," says Ms Wills.

She argues that we must change the way we live and, like Mr McFarlane, she explains to me that the science is overwhelming.

"On planet earth, we are 7.7 billion humans and over 70 billion farmed animals. These animals are bred, raised and slaughtered yearly for food and fashion. The methods in which factory farming is conducted are

not environmentally friendly – water use, land and soil degradation, antibiotic and waste run-off into waterways, to name but a few troublesome outcomes," Ms Wills says.

"The science is overwhelmingly united on the fact that we cannot continue to mass farm in the way we have for the past 50 or so years. This is before we talk about the grave animal welfare concerns that are being ignored, which I believe impact our humanity as a whole."

#### Environmental detriment

When I spoke to both Ms Wills and Mr McFarlane, the horrendous bushfires were just setting alight and many communities were still intact.

Knowing a little about the impact of animal agriculture on the environment, I, a true Millennial, turned to Google for enlightenment.

According to the UN, the animal industry is "one of the most significant contributors to today's most serious environmental problems", including global warming, species extinction, loss of fresh water, rainforest destruction, spreading deserts, air and water pollution, acid rain, soil erosion and loss of habitat.

"It then becomes that we need to solve both the fossil fuel issue and the animal agriculture issues otherwise we're not going to survive."

Seeking answers from Mr McFarlane, he tells me that this is all an easy fix.

Instead of growing crops to feed animals who we then eat, it would be much more efficient and cause less harm to the environment if we consumed the plants directly.

He believes that this would feed five times as many people, make available significant amounts of fresh water, help reverse global warming, use less fossil fuels

and allow large areas of land to be reforested.

"At the moment, scientists generally compare gases methane and carbon dioxide using a 100-year scale, it's called the global warming potential. When all this started, the international movement to cut down on greenhouse gasses about 30-40 years ago, 100 years seemed reasonable," Mr McFarlane says.

"We probably did have 100 years to do something, but now it's more like 10, 20 years. So, if we change to the timescale of 20 years, methane becomes a lot more important as it causes a lot more greenhouse warming under the short term, which means animal agriculture is an even more destructive force."

"It then becomes that we need to solve both the fossil fuel issue and the animal agriculture issues otherwise we're not going to survive."

#### Veg eaters

And then the selfish meat (only chicken) eater prods its ugly head and I am left wondering what a world of veg eaters would look like.

To get some answers, I contact Dan Pinne, co-founder of Melbourne Vegan Tours.

He co-founded Vegan Tours in early 2016 as he was planning a trip to Paris as a fully-fledged plant-based being.

Food is a big part of his life and together with his mate Jess, Mr Pinne took the plunge and launched a truly unique business.

"We thought if a vegan tour could work in a city like Paris, with its cuisine known for animal products like butter and cheese, then surely we could do one in Melbourne –

one of the world's most vegan-friendly cities," he recalls

"That same day after finding the Paris tour online, I had bought the domain and business name and Melbourne Vegan Tours was born."

Asked how locals have taken to the concept, Mr Pinne tells me that they've garnered a lot of support from interstate and international visitors, and that Melbourne now has a one of the fastest growing vegan communities in the world.

"The community is always evolving. Due to Melbourne's multi-cultural population, it's allowed for many different traditional cuisines to be 'veganised' and then supported by our food-centric population. In 2009, there were three all vegan restaurants. In 2019, there is 68," Mr Pinne says.

#### Raising awareness

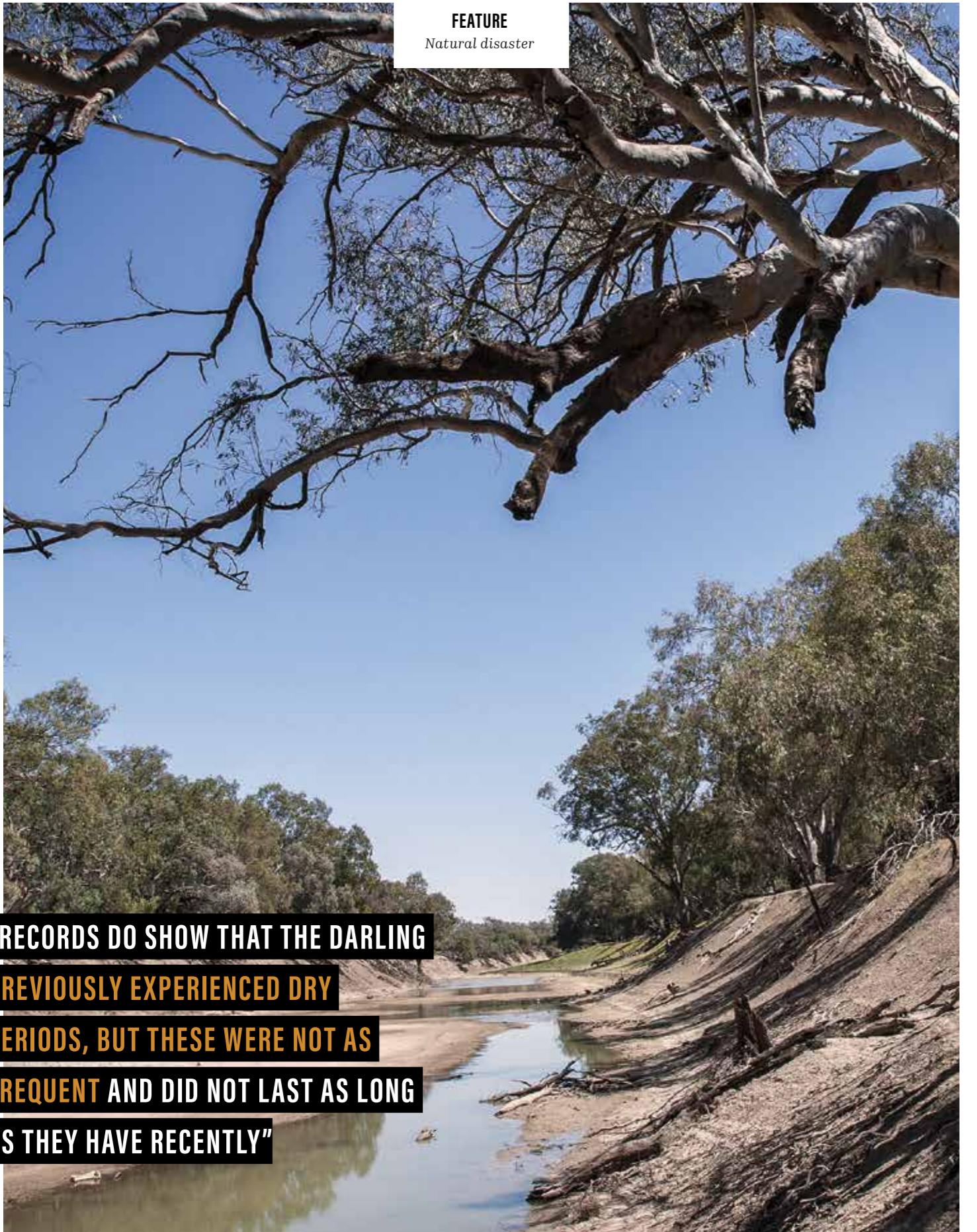
Satisfied with Mr Pinne's success, I decide to wrap up my research.

Raising awareness about the downsides of animal agriculture is a constant battle for people like Mr McFarlane.

They're dealing with very conservative governments all over the world, many of which are big deniers of global warming and bank on the power of coal as humanity's big saviour.

However, there is hope. With many fast food chains now offering vegan options and Four and Twenty committing to a plant-based "meat" pie, Mr McFarlane's vision of an animal cruelty free 2030 may actually be possible.

I for one am committed to cutting down my chicken intake. In fact, I just enjoyed a very tasty plant-based burger for lunch.



**"RECORDS DO SHOW THAT THE DARLING PREVIOUSLY EXPERIENCED DRY PERIODS, BUT THESE WERE NOT AS FREQUENT AND DID NOT LAST AS LONG AS THEY HAVE RECENTLY"**

FEATURE  
Natural disaster

# DON'T BLAME NATURE FOR THE DISASTERS WE'VE CREATED

Many Australians blame our variable climate for the recent severe bushfires and crippling drought, but researchers say these 'natural' disasters are not natural at all

by Dr Daryl Holland |

This article was first published on Pursuit

Australia has endured a horror bushfire season, made worse by a severe drought in the eastern states, and many Australians are lamenting the cruel and fickle hand of nature.

A year ago, a disaster of another kind was unfolding at the Menindee Lakes and the Darling River in south-western NSW. Millions of fish died over the summer, when low oxygen in drying pools suffocated the fish.

In January 2020, these two disasters merged, with hundreds of thousands of fish dying in the Macleay River in northern NSW following an influx of bushfire ash that stripped the water of its oxygen.

And worse is to come with reports of algal blooms

developing in many parts of the Murray Darling Basin, which are likely to lead to further mass fish kills.

#### The blame game

Many commentators and politicians lay the blame for these disasters firmly with Australia's variable climate.

"It's a kind of common, I don't know how deliberate, tactic of politicians to blame nature as a way of shifting responsibility away from themselves," says Professor Lesley Head from the School of Geography at the University of Melbourne.

But many researchers are pushing back against this narrative, citing the contribution of human-induced climate change to both drought and fire, and looking beyond

that, to the complex social, political and economic factors that lead to 'natural' disasters.

"With our landscape, which is characterised by high climatic variability, it becomes easier to call on certain cultural themes like Mackellar's poetry ('a land ... of droughts and flooding rains') or simplistic statements ('we've always had drought, we've always had bushfires'), without appreciating the fundamental shifts in the processes that are exacerbating the severity and frequency of extreme events," says Professor Sue Jackson, a geographer from the Australian Rivers Institute at Griffith University.

The Menindee fish deaths did, indeed, occur during a severe drought, but a report commissioned by

the Australian Academy of Science (AAS) into this disaster concluded that the primary cause of the fish kills had a human cause: "excessive upstream diversion of water for irrigation".

#### Our historical relationship with water

Professors Head and Jackson were two of the authors on the AAS study, and they subsequently delved deeper into the history of the Darling River and have published a new open-access paper in the journal *Geoforum* describing how the river has been managed since European settlers arrived in the 19th century and the 'hydrosocial' changes that have led to where we are today.

"It's very easy when there's not much water in the river channel to say, 'it's all because of drought,'" says Professor Head.

"On top of the drought, there are many other things that have contributed to that lack of water."

"And in the same way, with the bushfires no one is denying that there are natural processes involved, but there are also processes that have got social, economic and political drivers within them, over both the long and short term."

Professor Jackson says the frequency and duration of these events are also having an impact.

"An example could be the shorter window now available for controlled burning, or the very strong effect of water extraction upstream. Records do show that the Darling previously

experienced dry periods, but these were not as frequent and did not last as long as they have recently," she says.

The uneven effects

of these socio-natural processes, which in the case of the lower Darling exacerbated the socio-economic vulnerability of the region, are of particular interest to us as geographers."

#### Valuing the river

The researchers identified four historical periods that have transformed the lower Darling River from the revered 'mother' of the Indigenous Barkandji people, to little more than

a number (in gigalitres) on a spreadsheet used to balance supply across the whole of the Murray Darling Basin, Australia's largest river system.

"What our politicians are saying today didn't come out of nowhere, these ideas didn't just appear. In fact, you can find threads of this in the late 19th century. Ideas of the river as a resource to facilitate agricultural development have underpinned Australian nation-building," says Professor Head.

In the second half of the 19th century, the river first started being managed for navigable flows, so that wool and

other commodities could be easily transported to the coast and the goldfields of Victoria.

Then, over the 20th century, the extraction of water for irrigation took priority, with an ongoing battle between the states of NSW, Victoria and South Australia to capture and carve up the flows of the Murray-Darling system.

Intense water resource development (like dams, diversions, weirs) stimulated agricultural expansion in NSW and Victoria and included the massive expansion of storage in Menindee Lakes, which used to flood and dry naturally.



## IDEAS OF THE RIVER AS A RESOURCE TO FACILITATE AGRICULTURAL DEVELOPMENT HAVE UNDERPINNED AUSTRALIAN NATION-BUILDING"

varied relationships that people have with water," says Professor Jackson.

"For the lower Darling it's been the concern of governments and economic interests to move water out of that area because it can be more profitably used in other places."

The arrangement protected the economic interests of the Murray and Murrumbidgee irrigation districts by allowing them to expand.

"We've been driven by a concern for water as a quantity, and often for its quality, but not for the

This was done while maximising extractive use through a series of water saving measures like purchasing water entitlements, engineering works and reducing 'evaporative loss'.

The latter of these was the reason for a large drawdown of the water at Menindee, which contributed to the fish kill of 2019.

**The river as 'mother'**  
And through all this time, governments have largely

ignored the voices of the local Indigenous peoples.

The Barkandji people's native title stretches over 400 kilometres of the Baaka (which was only named the Darling River by explorer Charles Sturt in 1829), including the Menindee Lakes.

"The perspective that we've heard from Barkandji and other groups is much more conscious of the need to revere water's life-giving qualities within the places in which those communities are bound and the importance of fulfilling responsibilities to caring for the country," says Professor Jackson.

There has recently been some recognition of the Indigenous connection to the river, with growing support to rename the Darling River to the Baaka-Darling. Barkandji traditional owners intend to create a 'Baaka Commission' to oversee the river.

Professor Head laments that in January last year, when the fish kills became a big story, Indigenous and other communities in the region had long-before run out of water and had been drinking donated bottled water for months.

"But that wasn't enough to set off this outcry. It needed dead fish and white men crying." <sup>P</sup>

*This article was first published on Pursuit*



**Dr Daryl Holland**  
manager, media and communications,  
University of Melbourne

**\$189**

BILLION

The amount the Australian government has pledged for the economy



# Fighting COVID-19 with GOVERNMENT DOLLARS

Together, all arms of the government have pledged a total of \$189 billion into the economy in order to keep Australians in work and businesses in business, as the country comes to grips with the coronavirus pandemic

| by Maja Garaca Djurdjevic |

The government has already announced a string of initiatives to help small businesses cope with the toughest summer in a generation, including grants and low-cost loans, but before small businesses could gasp for air, the coronavirus hit, changing life in previously inconceivable ways.

To help over 3 million small and medium businesses weather the storm, the government has, at the time of writing, announced a string of measures, including \$17.6 billion for its first economic stimulus package; \$90 billion from the Reserve Bank and \$15 billion from the government to deliver easier access to finance; and an additional \$66.1 billion in the second support package.

"We want to help businesses keep going as best they can and for as long as they can, or to pause instead of winding up their business. We want to ensure that when this crisis has passed Australian businesses can bounce back," Prime Minister Scott Morrison said in March.

"We know this will be temporary. That's why all our actions are geared

towards building a bridge, keeping more people in work, enhancing the safety net for those that aren't and keeping businesses alive so they can get to the other side and stand up their workforce as quickly as possible."

Acknowledging that the next few months will be a difficult journey, the PM underlined that "we all have a role to play to adapt to the changes we're facing, to cushion the impact of what is happening and to pull together so we can bounce back when we get to the other side".

## Support for workers and households

### Coronavirus supplement

The government is temporarily expanding eligibility to income support payments and establishing a new, time-limited coronavirus supplement to be paid at a rate of \$550 per fortnight.

Permanent employees who are stood down or lose their employment, sole traders, the self-employed, casual workers and contract workers will be able to access the new coronavirus supplement under expanded JobSeeker Payment access, formerly Newstart.

The coronavirus supplement will be paid for the next six months. According to the government, eligible income support recipients will receive the full amount of the \$550 coronavirus supplement on top of their payment each fortnight.

This measure is estimated to cost \$14.1 billion over the forward estimates period.

### Early release of superannuation

The government will allow individuals, including sole traders, in financial stress as a result of the coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21.

Eligible individuals will be able to apply online through myGov for access of up to \$10,000 of their superannuation before 1 July 2020.

They will also be able to access up to a further \$10,000 from 1 July 2020 for another three months.

The government confirmed that those who do opt to withdraw some of their super early will not need to pay tax on amounts released.

This measure is estimated to cost \$1.2 billion over the forward estimates period.

## GOVERNMENT AND RBA HAVE PLEDGED \$105 BILLION TO BACK LENDING TO SMALL BUSINESS

existing loans, by offering the deferral of principal and interest repayments to all small businesses impacted by COVID-19.

The package announced in late March by the Australian Banking Association includes a deferral of principal and interest repayments for all term loans and retail loans for six months for small business customers with less than \$3 million in total debt owed to credit providers.

But the Coronavirus SME Guarantee Scheme also builds on the investment the government is making to enable smaller lenders to continue supporting Australian consumers and small businesses, through providing the Australian Office of Financial Management an investment

capacity of \$15 billion to invest in wholesale funding markets used by small authorised deposit-taking institutions (ADI) and non-ADI lenders.

It further supports the Reserve Bank of Australia's announcement of a \$90 billion term funding facility for ADIs that will reduce the cost of lending, with particular incentives to lend to small and medium enterprises.

### Providing temporary relief for financially distressed businesses

Company directors will be temporarily relieved from any personal liability for trading while insolvent, with respect to any debts incurred in the ordinary course of the company's business, with the measure set to run for six months.

The statutory time frame for a company to respond to a statutory demand will be extended temporarily from 21 days to six months.

The government is also temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the *Corporations Act 2001* from \$2,000 to \$20,000. This will also apply for six months.

Furthermore, the threshold for the minimum amount of debt required for a creditor

to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000 for six months.

The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

While these are challenging times, Australians are being told to rest assured that the government will do all that is necessary to support them and build a bridge to ensure that all Australians can get to the other side of this crisis. □

The government is also temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for 2019-20 and 2020-21.

This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

Furthermore, the government is reducing the deemling rates by a further 0.25 percentage points to reflect the latest rate reductions by the RBA. As of 1 May 2020, the lower deemling rate will be 0.25 per cent and the upper deemling rate will be 2.25 per cent.

The change will benefit around 900,000 income support recipients, including age pensioners.

### Assistance to business to keep people in a job Boosting cash flow for employers

Building on the first stimulus package, the government

said in late March it is increasing the initial tax-free cash payments to small and medium businesses to \$100,000, from the initially announced \$25,000 limit, with a minimum payment of \$20,000, compared with the previously said \$2,000.

These payments will help businesses' and not-for-profits' cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

The enhanced scheme will be delivered in two phases: Firstly, with employers set to receive a first payment equal to 100 per cent of their salary and wages withheld, up to a maximum of \$50,000, when businesses lodge their activity statements for the 28 April and 28 July quarterly due dates.

The second payment for monthly BAS lodgers will be released once they lodge their June 2020, July 2020, August 2020 and September 2020 lodgements.

Eligible businesses that pay salary and wages will receive a minimum payment of \$10,000, even if they are not required to withhold tax.

Secondly, an additional payment equal to the first

payment will be made after businesses lodge their BAS by the 28 July and 28 October quarterly due dates.

For example, a business that receives \$50,000 for the period up to June will subsequently receive another \$50,000 for the period up to September upon lodgement of their BAS.

Monthly BAS lodgers will receive the first payment for the March 2020, April 2020, May 2020 and June 2020 lodgements, with a 300 per cent calculation in the March activity statement to provide the same treatment as quarterly lodgers.

The second payment for monthly BAS lodgers will be released once they lodge their June 2020, July 2020, August 2020 and September 2020 lodgements.

All entities are required to be active to receive the payment, with the measure set to benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs.

### States respond

- NSW is dedicating \$1.6 billion to economic stimulus measures designed to keep people in jobs
- Queensland has made \$500 million available in loans to support workers and has offered payroll tax relief or deferral
- The Victorian government will provide full payroll tax refunds for the 2019-20 financial year to small and medium-sized businesses
- Tasmania is providing a \$420 million support package aimed to sustain its economy and keep Tasmanians in work
- In WA, payroll tax paying businesses with a payroll between \$1 million and \$4 million receive a one-off grant of \$17,500

The expanded scheme is estimated to cost \$31.9 billion over the forward estimates period.

### Regulatory protection and financial support for businesses to stay in business

#### Coronavirus SME Guarantee Scheme

The government is also establishing the Coronavirus SME Guarantee Scheme, which will support small and medium enterprises (SMEs) to get access to working capital to help them get them through the impact of the coronavirus.

Under the scheme, the government will guarantee 50 per cent of new loans issued by eligible lenders to SMEs. This support is expected to enhance lenders' willingness and ability to provide credit to SMEs with the scheme able to support \$40 billion of lending to SMEs.

The scheme will complement the announcements made by Australian banks to support small businesses with their



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## FEATURE

Money laundering



# AUSTRALIA'S MIXED RECORD ON MONEY LAUNDERING

Australia has a high official global ranking in terms of its effectiveness in countering money laundering and terrorism financing. However, it is still somewhat vulnerable when it comes to illicit money funnelled through small-to-medium-sized entities

| by Peter-John Lewis |

**M**oney laundering is the process of concealing the origins of illegally obtained money, usually through transfers that involve legitimate businesses or foreign banks.

The government's progress in developing effective anti-money laundering and counter-terrorism financing (AML/CTF) legislation has been relatively slow.

While Australia's corporate sector is comparatively well regulated, other entities may be exposed. In fact, local accounting firms could potentially unknowingly be involved in international money laundering activities.

#### Australia's legislation

Tranche 1 of Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act* was passed in 2006 and was phased in over two years.

It was aimed primarily at large institutions such as banks, other financial services providers and casinos, all of which are required to report suspicious transactions.

The legislation has since caught a number of institutions out. For example, in 2018, the Commonwealth Bank was convicted of over 53,000 breaches of AML/CTF laws and was ordered to pay \$700 million – the biggest fine in Australian corporate history – plus legal costs. In November 2019, Westpac CEO Brian Hartzer resigned following allegations that the bank was complicit in child exploitation, money laundering and violating counter-terrorism financing laws.

Back in 2006 it was envisaged that, within a few years, the act would be expanded to include reporting requirements for smaller

entities such as accounting, legal and real estate firms.

While such an expansion has proceeded in a number of other jurisdictions, such as New Zealand, it has been delayed in Australia, partly due to the potential extent of the compliance burden on small businesses.

#### Global AML ranking

The Basel Institute on Governance has developed the Basel AML Index, an independent annual ranking that assesses the risk of money laundering and terrorism financing (ML/TF) around the world.

The index measures the risk of ML/TF in countries, using data from publicly available sources such as the Financial Action Task Force (FATF), Transparency International, the World Bank and the World Economic Forum.

Countries are ranked from the highest to the lowest level of risk, with Australia performing well, ranked at 110 out of 125 countries. Australia's overall risk score also improved slightly between 2018 and 2019.

The index identifies five 'domains' (each of which has a degree of emphasis indicated by a percentage) as key to ML/TF risks:

- Domain 1: Quality of AML/CFT framework (65 per cent)
  - Domain 2: Corruption risk (10 per cent)
  - Domain 3: Financial transparency and standards (15 per cent)
  - Domain 4: Public transparency and accountability (5 per cent)
  - Domain 5: Legal and political risk (5 per cent)
- In terms of Domain 1, Australia's performance is positive, ranking ninth among the countries that



have recently undergone an evaluation by the FATF (utilising its 'fourth-round' evaluation methodology).

In terms of Domain 3 criteria, Australia ranks seventh.

#### Co-operation with international counterparts

Australia also appears to be proactive in liaising with other nations to counter international money laundering activities.

On 24 January 2020, the Australian Taxation Office announced it had taken part in a global initiative to put a stop to the suspected facilitation of offshore tax evasion.

The 'day of action' took place as part of a series of investigations in multiple countries into an international financial institution located in central America, the products and services of which were believed to be facilitating money laundering and tax evasion for customers across the globe.

According to the ATO website, "It is believed that, through this institution, a number of clients may be using a sophisticated system to conceal and transfer wealth anonymously to evade their tax obligations and launder the proceeds of crime."

This was the first major operational activity for the Joint Chiefs of Global Tax Enforcement, known as the J5, comprising the leaders of tax enforcement authorities in Australia, Canada, the UK, the US and the Netherlands.

#### Mixed record on transparency

Despite such positive measures, Australia has recently been described as a "money laundering hotspot", following a recent report on financial secrecy issued by the Tax Justice Network.

The network's Financial Secrecy Index ranks Australia as a creditable 48th in terms of the secrecy and scale of its offshore financial activities. This does not mean, however, that it is entirely transparent.

According to the report, "Despite its relatively low ranking ... a number of cases demonstrate that Australia undoubtedly hosts significant quantities of illicit funds from outside the country."

#### Accountants may be vulnerable

According to the At your service report by Transparency International in the UK, "A lack of awareness of money laundering risk amongst those offering unregulated services ... has provided an opening for corrupt individuals to make use of their services without challenge."

Unregulated businesses – which in Australia include accounting firms, law practices and real estate agencies – continue to offer services to corrupt individuals and high-risk clients, sometimes without their own knowledge of these clients' true identities.

Applying AML/CTF requirements to such businesses could potentially benefit both Australia's anti-money laundering efforts and the businesses themselves.

Accountancy firms, for example, could potentially reduce legal risks and enhance client relationships through a more stringent application of the AML/CTF regulations' 'know your customer' measures.

#### IPA submission on AML/CTF

In December 2019, the Institute of Public Accountants responded to the House of Representatives Explanatory Memorandum for the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019.

In the submission, the IPA's group executive advocacy and technical, Vicki Stylianou, indicated that the IPA supports changes that expand the relevant powers

that lead to closing down ML/TF activities.

"The IPA's UK operations have been working in this space for some years and that experience is helping to inform our Australian members, who are predominantly but not essentially involved in the small business sector," Ms Stylianou wrote.

"As such, the IPA's focus in response to the bill pertains to accountants and the need to educate them to ensure they understand the legislation and their responsibilities in signalling AML to AUSTRAC and relevant authorities."

The submission indicates that the IPA supports the bill's intention to "expand the circumstances in which reporting entities may rely

on customer identification and verification procedures undertaken by a third party", but questions whether there are similar processes in place with other agencies, so as to avoid compliance duplication and associated costs.

The IPA also supports the bill's intention to "expand exceptions to the prohibition on tipping off to permit reporting entities to share suspicious matter reports (SMRs) and related information with external auditors and foreign members of corporate and designated business groups".

In terms of the bill's statement "deeming

## "A NUMBER OF CASES DEMONSTRATE THAT AUSTRALIA UNDOUBTEDLY HOSTS SIGNIFICANT QUANTITIES OF ILLICIT FUNDS FROM OUTSIDE THE COUNTRY"

money or property provided by undercover law enforcement as part of a controlled operation to be the proceeds of crime for the purposes of prosecution", the IPA agrees that this activity is important and may lead to greater deterrence.

Overall, the IPA agrees that AML/CTF legislation is critical. However, the institute asked that compliance costs are considered in terms of the impact on small entities.

money or property provided by undercover law enforcement as part of a controlled operation to be the proceeds of crime for the purposes of prosecution", the IPA agrees that this activity is important and may lead to greater deterrence.

Overall, the IPA agrees that AML/CTF legislation is critical. However, the institute asked that compliance costs are considered in terms of the impact on small entities.



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# THE 10

*micro, small and medium enterprise trends for 2020*

| by Dr Ayman El Tarabishy |

2020 and a dawn of a new decade welcome MSMEs with many exciting opportunities for growth and prosperity, yet it comes with hazards and challenges. Recognised globally for their contributions to innovation and improving economic conditions, MSMEs are the number one job creators across the world

Last year, ICSB reported that one of the biggest challenges inhibiting the growth of MSMEs was the entrepreneur or small business owner and the power of belief, or lack thereof.

For 2020, we see major trends continuing yet with three new remarkable changes to the landscape for MSMEs. It is astonishing what a difference a year makes!

Here are ICSB's 2020 top 10 trends for MSMEs!

## 10. The power of belief

INSIGHT: The number one trend of 2019 is now number 10 for 2020. The power of belief of entrepreneurs and MSMEs continues to be of vital importance in the world economy. 2020 is no different.

The belief that a person can create something of economic and social value must be real. And for many, it is becoming a reality. Entrepreneurship is no longer simply the domain of the rich, well-connected or gender-specific. In particular, women, youth, families and the disabled are transforming their societies and communities through a belief that they can energise their economies and improve their economic situation.

ICSB RECOMMENDATION: Continue to strongly encourage the creation and sustainability of MSMEs, not just by starting businesses, but by creating and maintaining adaptable and vibrant economic ecosystems within various

types of communities. To have a meaningful impact, all of us must engage our power of belief in individual potential and the creation and sustainability of MSMEs.

## 9. MSMEs need to meet the sustainable development goals

INSIGHT: MSMEs make up the very economic fabric of communities, reaching many sustainable development goals without even realising it. Yet, they can be empowered to do more. MSMEs can be the measuring stick for how we are progressing towards SDGs. MSMEs are like the extended family you find in villages, cities and countries. In good times they celebrate; in tough times, they become resilient.

ICSB RECOMMENDATION: MSMEs should be educated regarding the SDGs and encouraged to make them a prominent selling point for why consumers should buy from them. Educators, policy-makers and consultants should do their part to inform, encourage and assist MSMEs in developing the framework for this new operating model. Consumers need to be informed about SDGs as well, being made to realise the importance of the relationship of these and MSMEs to the economic vitality of themselves and their communities. Through initiatives like buying organic or recycling, MSMEs should allow consumers to contribute to a sustainable world.

#### 8. Access to finance and new options more readily available

**INSIGHT:** MSMEs and entrepreneurs will have more options than ever available to finance their companies. Many banks, realising the importance of supporting such enterprises, have decided to launch new financial products aimed at assisting MSMEs. Blockchain and cryptocurrencies are also slowly evolving into viable new options. Additionally, new mediums such as peer-to-peer lending, crowd-funding, invoice-factoring and corporate finance are expected to increase rapidly. These are great opportunities, but they come with hazards.

**ICSB RECOMMENDATION:** The rise of fintech, which includes crowdfunding and peer-to-peer funding, allows broader availability and quicker disbursement of financial support to growing companies. Yet many MSMEs may unintentionally fly under the radar of potential investors. Universities and the economic press can contribute much to inform a large audience about why and how to invest in MSMEs using these new financial tools.

#### 7. Digital MSMEs go global

**INSIGHT:** The global marketplace is just a click away. The world of consumers is more accessible than ever. MSMEs should be encouraged not to limit their market base and consider widening their reach towards global customers. Even MSMEs that offer products and services that are not in high demand in their community or region can have success in a global market with a much larger potential for acquiring new customers. The world has moved from analogue to

digital and MSMEs must keep up and do the same.

**ICSB RECOMMENDATION:** A digital mindset is needed for MSMEs, and the global online market should be seen as an opportunity. Yet, MSMEs must be aware that putting their businesses online requires adequate logistics to handle digital commerce and need to know what these are. Simplicity is the key to success in a complex digital marketplace.

#### 6. The RUDE teacher arises

**INSIGHT:** Today's environment, as quoted by Professor Hooi Den Huan, Nanyang Business School, Singapore, as being RUDE (Rapidly changing; Uncertain; Dynamic and Engaging), because of the ever-changing demographic, economic, technological, political/legal and social-cultural factors.

ICSB furthers this concept by defining the RUDE teacher who will be in very high demand and will have a massive following, similar to superstar athletes, singers and movie stars. They will become a global brand like fashion firms and movie houses and will accordingly be compensated in fame and fortune.

#### 4. MSMEs and navigating trade wars

**INSIGHT:** ICSB still projects that global trade wars will be a major issue impacting MSMEs. The increased imposition of tariffs by major countries has created alarming issues and concerns for world economies. MSMEs, in particular, feel the heavy consequences of these wars. A 2019 Small Business Confidence Survey reported that tariffs had harmed 37 per cent of small businesses in the US alone, increasing their cost of doing business. The majority have had to increase

that integrate many sources of knowledge and information. Finally, the RUDE teacher will not teach, entertain or educate but engage the learners in a journey of reflection, double-loop learning and personal growth.

#### 5. MSMEs are about doing business in a human way

**INSIGHT:** MSMEs hold a special place in people's hearts because they are as human as we are. Currently, we see a trend in very nonhuman-centric business models that take the form of industrialisation, robots, and artificial intelligence. Yet, the heart of humankind will always yearn for a human touch.

**ICSB RECOMMENDATION:** Technology is a necessary tool to improve business operations, but it is the human element that makes MSMEs unique and long-lasting. Businesses must not forget to inject human-ness into their practice – it is a key ingredient to their success.

Humane entrepreneurship is all-encompassing, and no matter where business trends lead, it is never a bad course to take.

prices due to this, with 47 per cent saying that it has subsequently caused them to lose customers.

**ICSB RECOMMENDATION:** There are actions MSMEs can take to minimise the disruption to their businesses. The first is to increase communication with their stakeholders, especially employees, customers and suppliers. The second is to understand and keep abreast of the trade issues to anticipate their impact on key stakeholders. Finally, by becoming educated and understanding their supply chain and the alternative actions they and their business can take.

#### 3. The Fourth Industrial Revolution

**INSIGHT:** The advent of technology in the workplace or society, in general, is not new. The First Industrial Revolution transformed an economy based on agriculture to one that was based on machines and mechanisation. The Second Industrial Revolution extended the

influence by reshaping the workplace with oil-powered internal combustion engines and electrical communication. The use of digital technology in the Third Industrial Revolution provided advanced computation and insights using information and communication technology.

The Fourth Industrial Revolution represents new ways that technology will interact with the human body and how this convergence will take place across biological and physical worlds.

The future of what is called "work of employment" is undergoing a paradigm shift. The use of AI has the potential to eliminate a significant portion of the jobs that are currently done by humans.

**ICSB RECOMMENDATION:** The Fourth Industrial Revolution and the future of work will need to be balanced. A one-sized solution is not possible, globally. The advent of technology will allow those with creative ideas, people who are not localised to any race, class, gender, religion or region, to reshape the way

people have engaged in work and employment. The focus of solving some of society's most intractable challenges and problems have brought entrepreneurs and small business owners in line with the goals established by the UN's 2030 agenda for sustainability.

#### 2. The rise of the entrepreneurial city

**INSIGHT:** Today, entrepreneurship and innovation are urban phenomena. The rise of the entrepreneurial city is becoming a global movement aided by better telecommunications, city governments investing in the start-up community, and today's youth's eagerness to travel.

Washington, DC; Detroit, Michigan; Salerno, Italy; and Alexandria, Egypt, have plans for transforming their cities into what we call an entrepreneurial city. This is just the tip of the iceberg for what is coming next year. How did this happen? For decades, venture

capital was an almost exclusively American enterprise. During the second half of the 1990s and throughout the 2000s, venture capital slowly began to flow into locations outside the US. The last five years, in particular, have seen a dramatic rise in start-up and venture capital activity in locations in Europe, Asia and elsewhere.

**ICSB RECOMMENDATION:** The current trend is for the most innovative and entrepreneurial talent to see the world as its new home – unconstrained by borders. These no longer have to come to America to launch, fund and scale their companies. Cities from around the globe are positioning themselves as the destination and home for entrepreneurs.

The reason is simple – cities realised that capital would follow the talent, and capital-backed talent produces the innovation that will define the future. Cities need to be more global with a human touch.

#### 1. The end of the status quo

The status quo is no longer enough. To say it falls far short (to the tune of 60 million jobs that need to be created by 2030) is an understatement of fact, and it is failing even strong economies and (in particular) vulnerable ones alike. The wheels of change need to be set in motion immediately. To first do that, everything that was assumed for the past 50 years must be deeply analysed, reviewed, scrutinised and questioned to allow new ideas to blossom.

The new decade is blowing in with a siren sound, trying to shake the status quo and wake the complacent with dramatic thoughts and concerns for the future.

**ICSB RECOMMENDATION:** Forward momentum is being seen to some extent. Sustainability is trending, the Gulf region welcomes the world, the middle class in Africa is on the rise, and countries are re-examining their social contracts with their citizens. But is it enough?

MSMEs do have power and can, to some extent, take control of the destiny of their businesses. They have actions and options available that they can take to minimise the disruption to their businesses.

Silence will not end the struggle, but letting their collective voices be heard can influence positive action. 



**Dr Ayman El Tarabishy**  
professor at George Washington University and ICSB executive director





**"SMALL BUSINESS OWNERS CAN BE  
EXCEPTIONALLY HARD ON THEMSELVES  
WHEN THEY DON'T FEEL LIKE THEY HAVE  
IT ALL TOGETHER"**

# *How prioritising wellness leads to* **SMALL BUSINESS SUCCESS**

Increasingly, boutique firm leaders and small business owners are not only becoming aware of the need to accommodate for holistic wellbeing needs, they are cognisant of its inextricable nexus to the success of that business

| by Jerome Doraisamy |

The modern professional marketplace, across industries, is an intellectually stimulating and professionally rewarding beast, with myriad opportunities for individuals to flourish in ways that make the most sense to them. There continues to be rapid movement away from what we understand to be more traditional modes of work and headwinds towards greater flexibility, remote work and new-age business strategies.

Operating in tandem to such business evolution (albeit not in connection) we have seen growing awareness of the prevalence, causes and effects of psychological distress, anxiety, depression and other related ailments in professional services. Industries such as law and financial services

have made admirable strides at addressing such health concerns, but there remains a way to go.

But while stepping away from the big end of town can alleviate the pressures experienced in such workplaces, small business owners cannot be immune to the idiosyncratic factors in their own environments that can adversely impact upon wellness.

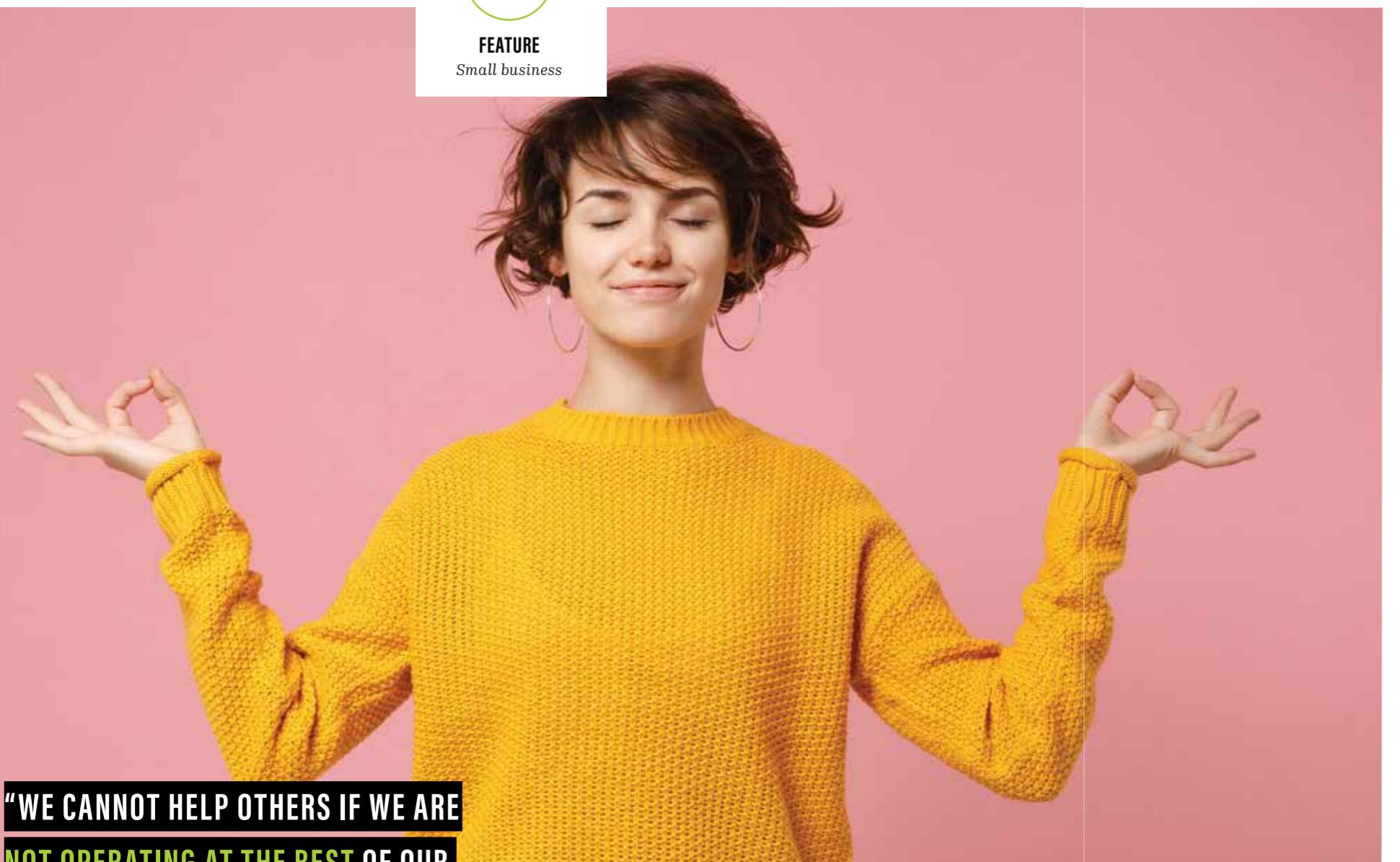
To unpack the issues and challenges faced by the SME space, and how firm owners and leaders can best manage the health and wellbeing of themselves and their staff – so as to improve business prospects – we spoke with Clarissa Rayward, director of Brisbane Family Law Centre, and Nancy Youssef, founder of Classic Finance Group and Classic Mentoring & Coaching.

**In a nutshell, what are the biggest wellness issues that small businesses, and their owners, face?**

For Ms Rayward, the need to wear many hats can be burdensome, in that one has to be the owner, head of HR, marketing, operations, among other titles.

"What I feel adds to this sense of pressure is the pace that business is conducted in our world today. Thanks to email/social media/the online sphere, the expectations that we are sitting, waiting to respond at all times are becoming very onerous," she says.

"There is a sense that your work just goes with you everywhere you take your phone, meaning that it can be very easy to feel overwhelmed and stressed if you don't build in routines



## "WE CANNOT HELP OTHERS IF WE ARE NOT OPERATING AT THE BEST OF OUR OWN ABILITIES"

and rituals to combat these stressors."

On top of this, many small business owners are time-poor, Ms Youssef adds, as a result of juggling all business aspects and constantly reacting and shifting their daily priorities.

"This means that at times, the most important things to us personally can get put on the back burner – and many times that includes exercise, eating well and even just mental downtime," she explains.

"I myself have experienced

this, particularly after stressful days, where it's easier to just go home and have a glass of wine or skip the workout after work so you can spend another hour at the desk. Stress, [being] overwhelmed and juggling a multitude of tasks can result in poor diet choices and lack of exercise, leading to health issues, as well as impacting your quality of sleep.

"Small business owners can be exceptionally hard on themselves when they don't feel like they have it all together," she advises.

### What works and doesn't work when it comes to combating these wellness issues faced by small businesses?

In response to time management and workload struggles, Ms Youssef has learnt that short-term fixes don't work.

"Finding sustainable, affordable and manageable solutions is better than the miracle diets, short spurts of yo-yo dieting, gyms, personal training etc.

It is better to make small changes over a period of time, rather than trying to fix everything in one go," she advises.

"At times, a reality check may kick in or a wake-up call may prompt some changes, and it's best not to ignore the signs in these situations, but overall, making small and consistent changes is the key to success."

Ms Rayward supports this, saying that SME leaders have to appreciate that their work will always feature a layer of stress and pressure that is ever-changing.

"Coming to accept that there will always be something that is making things tricky has really helped. Talking with other small business owners enabled me to realise I am

not alone, and these issues are not of my causing – it is just the joys of people and business," she says.

Secondly, taking ownership of the things one can control and delegating accordingly, so that one can focus on leading the organisation and not trying to do everything along the way, is crucial, Ms Rayward adds.

"Creating rituals in my own day that ensure I am stepping away from my work, leaving my phone and all the emails and fun that come with it aside so I can be present with my family and ensuring that I 'fit my own mask first' when it

comes to my personal health and wellbeing, have all made a big difference," she says.

### What are the dangers of not effectively managing your own wellbeing as a small business leader, and that of your staff?

On this question, both professionals say leaders have to set the tone.

"If you want your team to focus on their own health and wellness you have to do it too and that should never be a challenge, it should be joy," Ms Rayward submits.

"We cannot help others if we are not operating at the best of our own abilities and so having strong routines that ensure you are getting quality sleep, eating well and exercising are essential to operate in the high-pressure world we live in."

Ms Youssef agrees: "Your staff are more likely to respect and 'buy in' to initiatives around wellness when they see you prioritising your own health and wellbeing. Health is important, and it all starts with you."

### Conversely, what are the flow-on benefits and opportunities for such wellness management?

On the flipside, catering more effectively to the unique workplace needs of staff members and one's self helps build the culture SME leaders want to create, Ms Youssef posits, as it demonstrates care for not only the health and stability of the staff, but of the business itself.

"In most SMEs everyone is already outputting 150 per cent and when one person is away (especially for prolonged periods of time),

it can have a bigger impact on the rest of the team, efficiency and increased workload that everyone needs to assist with. Unlike corporations where it is easy to replace or cover absences, small businesses just don't have that luxury," she says.

This is backed by

Ms Rayward, who muses: "Studies internationally show that a healthy workforce means increased engagement and productivity, which means increased profit so from the intangible benefits of being around people who are 'happier' to the very tangible benefits of increased financial rewards. We should all be focused on building high performing and healthy teams in our workplaces."

### What's the biggest lesson you've learned in balancing wellness considerations with business success?

On reflection, Ms Rayward says she's had to live with the fact that her 'to-do list' will always be never-ending.

As such, she suggests

that business owners and SME leaders "be at one with the idea that you could sit at your desk all day, every day and there would still be

more to do so never forget it will be there tomorrow – head home, be with the people that matter and look after yourself along the way".

For Ms Youssef, a wake-up call arrived in the form of a broken foot at a time in which she had not been suitably prioritising self-care.

"This event floored me for six weeks and during this time I had to address my own health and question the choices and life I was living

... so those small subtle changes started to happen in gradual steps, and my whole life changed as a result," she recounts.

"I now exercise almost every morning; I no longer eat food that doesn't serve my health and am very mindful of the impact of stress on my body. I have made changes, so I get more time working from home and I've become choosier about the clients and activities I take on in the business."

### Conclusion

Small business owners and leaders in the boutique space cannot succeed over a long period of time without commensurate attention being paid to the broader, holistic wellness needs of staff and the workplace.

With a million and one tasks to be attended to at any given time, it is clear that a surefire way to burn out – both yourself and the business – is to ignore such base needs. But, more optimistically, such attention to wellness can

have a lasting impact on future success.

As Ms Youssef surmises: "It has been a gradual process over a couple of years. Bigger revenue is not always the aim of the game: focus on health, followed by profit over revenue. The rest will come!"



**Jerome Doraisamy**  
senior writer,  
Momentum Media

# ORDINARY PEOPLE = EXTRAORDINARY IMPACT

Created in October, #buyfromthebush has surpassed its founder's expectations, speedily achieving its mission to connect bush businesses with city customers and help fire ravaged communities

by Maja Garaca Djurdjevic |

Grace Brennan was born and bred in Sydney. But, at the age of 26 she fell in love with a farmer and decided to uproot her life and relocate to Warren in western NSW.

"I grew up in Sydney but fell in love with a farmer so moved to live on a sheep and cropping farm in western NSW when I was about 26," Ms Brennan tells *Public Accountant*.

"I have been able to absorb all the wonderful things that the bush has to offer and am inspired to share that with people in the city."

With a background in community development, she co-founded an online

employment platform for agriculture, AgDraft, which ultimately led to the birth of Buy From The Bush.

"I have watched my husband work through this drought feeling very helpless. No words or consoling cuddles can detract from the relentless stress and fatigue caused by drought."

"I created it one morning at my kitchen bench after being frustrated with an interview on the radio covering drought. I had been watching my local community suffer through drought for a few years and felt compelled to take action," she says.

"Though it was, in some ways, a spur of the moment decision which led to a project that I have largely run on the fly, I would say I have been developing key skills and laying the

Ms Brennan took to her computer and created an Instagram page to showcase the beautiful boutiques and wares available to buy from rural communities facing drought.

While city shoppers have embraced the campaign with open arms, rural businesses are flourishing with many reporting a drastically increased social media following.

To quote one business owner: "I think when I look back on this drought, the one thing I'll remember is the warm and fuzzy feelings this campaign has created."

To quote another: "I also just wanted to say thank you and tell you how Buy

groundwork for this for most of my working life."

## Breathing fresh air into small business

Speaking to *Public Accountant*, Ms Brennan explains that while we mainly think only of the farmers when we hear the word drought, some of the earliest casualties are in fact small businesses.

That's where Buy From the Bush steps in.

Created to broadcast this rich pool of talent and ingenuity to city consumers, the campaign has resonated with shoppers Australia-wide.

"There is an incredible offering of creativity, productivity and innovation in bush businesses. From beautiful boutiques with curated collections of fashion and homewares to farmers diversifying into creative trades and many talented women running side hustles to generate alternative income streams," Ms Brennan says.

"Social media has offered these businesses a direct line to their city kin and given them a useful 'work around' for those without the resources to run online stores."

From the Bush has made a difference to me. Yesterday I processed 66 online sales. Normally I wouldn't make 66 online sales in a year.

I sold \$2,000 worth of greeting cards in a day! And although I'm exhausted, I'm over the moon."

day in her backyard. It was 16 October and Ms Brennan was late to lunch at her house.

"Grace said she was late because she'd been drafting a letter, but she wasn't sure who it was for. She'd listened to an interview that morning with the Prime Minister and really felt that they were missing something critical. She said she felt so helpless and wanted to do something; that she had an idea but needed some help," Ms Fisher says.

Ms Fisher tells us how Buy From the Bush came to life on a dry, windless

"I got in touch with Grace who was already getting a huge amount of inquiry and at the end of the phone call I offered to help out," she says. "From there, it snow-balled."

Today, the Buy From The Bush campaign has over 222,000 followers on Instagram and has been helping both drought and bushfire affected small businesses survive beyond immediate challenges.

Speaking at the Australia Day Address, where she was being honoured for her achievements, Ms Brennan said, "Country towns have

been built on what I would call a foundation of 'doers'.

"On any given day, an Australian farmer is an amateur scientist, vet, builder or mechanic ... Our local bus driver, a mother of three, is also an aged care worker and fire fighter.

"Farmers' wives might feed their stock or do an irrigation run in the morning and then go to work as teachers, fashion designers, agronomists, researchers, online business owners or lawyers ... We are a country of people who want to help each other. What a triumph that is." ☺



# ALWAYS ON THE GO

Ocean swimming, cross-country bike riding... Annette Tasker is much more than your typical accountant. She prides herself on her on-the-go lifestyle and is always happy to lead by example on issues such as mental health and sustainability

| by Maja Garaca Djurdjevic |

**M**s Tasker grew up in a small business family. Having witnessed her parents working nights, slouched over the kitchen table, she decided to pursue accounting and alleviate some of the stresses they faced as small business owners.

She began her accounting studies straight out of school, earning herself a cadetship at the Electricity Commission of NSW.

Following the completion of her studies, together with her then boyfriend, Ms Tasker launched a cabinet making business and stepped into an admin role, which extended beyond everyday accounting into client management.

It wasn't until many years later that she launched her own public practice, straight out of her home.

"I started in bookkeeping. I then got my tax agents registration and started doing tax work and have been doing this for the last 15 years or so," Ms Tasker says.

"I started in an office at home and soon had to rent so I could have support staff. That too became small, so I bought a space that was bigger. That's where I am today."

#### Accounting then and now

Speaking about accounting then and now, Ms Tasker explains that today there is definitely a higher recognition that client support tops compliance work.

"That is something that seems to be news to a number of accountants, but because I've had that background of being in business, from running a business, particularly a manufacturing business, it's

a no brainer to me that you have to talk to your clients about matters other than when their tax return is due," she says.

"That's the big drive that I see now. However, I always thought that was a big part of our job. So, the thing that I have always done day to day, the discussions and conversations I've had with my clients since the beginning, seem to be a big deal now."

Ms Tasker believes that accountants have a hard time understanding and developing these sought-after soft skills due to the nature of their training.

"The training accountants receive is based around the academics of how to do the accounting and how to do the tax returns. Are we taught the soft skills? Maybe not, but for me it was an environment I'd always been in, so it still shocks me that

accountants can't see that as part of their job," she says.

Ms Tasker also prides herself on being an early adopter of technology.

She believes the new tech available today has simplified life for accountants.

"The roles I took on in other public accounting practices were because I knew how to use the software, particularly when GST came in in the year 2000. That was such a shock to established practices at the time," Ms Tasker says.

"I, however, saw an opportunity and was able to train a lot of accountants to use things like MYOB."

While admitting that technology has disrupted a lot of people in her profession, she says it has definitely enhanced the way accountants operate.

"Why wouldn't you do it? It's so enabling," says Ms Tasker.



Annette Tasker

Annette swims around Shark Island in Cronulla almost every morning; she rides bikes across Europe and Australia as often as she can; she is the patrol captain at the Surf Life Saving Club in Cronulla and sits on the board of a not-for-profit

**Advocating for change**  
Being a woman in a male-dominated profession, Ms Tasker says female accountants are still quite often shunned by their male counterparts.

"I still do find that the opinion of a man will be taken more on board than the opinion of a female. So, it's a delicate balance on how you express that opinion," she says.

"I find that if I speak from experience, people are more likely to listen than if I just know something. Yes, it is a challenge, particularly amongst the older generation. So, I think it will be many more generations until that's eliminated."

"But we've just got to get on with it. Knuckle down and not let that impact us."

Other issues very close to Ms Tasker's heart are mental health and environmental sustainability.

She tells *Public Accountant* that mental health is a daily topic in her office.

"My staff have done the mental health first aid course, provided by the Institute of Public Accountants. We talk about it regularly in our office to try and identify areas that need closer attention," Ms Tasker says.

"It is a major concern for us."

As for her passion for the environment, Ms Tasker says it is about time we all think about the impact we're having on our surroundings.

She explains that her heart goes out to all Aussies that have lost their livelihoods as a result of the devastating Black Summer fires and stresses the vital role accountants have in helping communities rebuild.



"We can't relate to it, but we have to understand it so that we can provide support. Perhaps we can do that by being a conduit to the authorities, talking to people like the Tax Office about things like concessions that they need to have and reinforcing that," Ms Tasker says.

She believes accountants also have a part to play in helping their clients recognise and prioritise sustainability.

"As for sustainability, that is also a big area that I practice both personally and professionally. We have had a dual screen set up for many, many years before they were popular to minimise printing, we use green energy in our office, and don't allow takeaway coffee cups," Ms Tasker adds.

"The old brown cardigan wearing accountant has really gone by the by, it surely is a more interesting career than it used to be."

**Anything but boring**  
And Ms Tasker is as far from a boring accountant as they get.

spending their money on, we try and gently have a word with them about being more sustainable.

"We're in the hot seat again to do that awareness piece with them. It's critical for the environment and our wellbeing."

Asked whether accountants are stretched thin today, Ms Tasker explains that all these different elements help make the job interesting.

"Yes, there is more pressure on us to think of all the different things, but put yourself into a role where your skills fit. It's far more interesting," she says.

"The old brown cardigan wearing accountant has really gone by the by, it surely is a more interesting career than it used to be."

"I am known for being someone who is always on the go, but if you want something done ask a busy person. I was always told that and I think it is true, you just fit it in." ☺



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**Words of advice business owners swear by**

There's nothing like advice from people who have been there, done that. Take a look at the words of advice some Aussie business owners have found invaluable during their own journeys

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In a world bursting with almost 8 billion fellow citizens, sustainability has become all of our responsibility

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**Navigating Australia's industrial relations**

One of the key risks facing businesses today is ensuring employees are being accurately paid for the work they do. To navigate through Australia's industrial relations system in 2020, employers must ask several questions

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**Underpayment of wages - No business is immune**

In Australia, there has been increased scrutiny by the Fair Work Ombudsman, the regulator, on employers' underpayment of wages, or "wage theft" as it is commonly known

by Nicola Martin and Kate Staude

# Business building

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

**WE'VE COMPILED** some of the words of advice business owners have been given over the years, or alternatively nuggets of wisdom they have stumbled across along the way, that have been an enormous help in driving their paths to success.

Hopefully, these insights (listed in alphabetical order according to business name) offer some great wisdom, inspiration and motivation to push you on in 2020 and keep your own business on track:

*"Listen to your customers and listen to your partners. Whether that's supply partners or distribution partners, really listen to what they need, what makes sense for them, and marry that back with what makes sense for [you]."*

**Paul Elsibai, ABA Labels**

*"A start-up is like running a marathon without a defined end. The first step is all about survival."*

**Lucy Liu, Airwallex**

*"Listen to your gut: only you know your business inside out, and only you can make some of those hard decisions."*

**Sarah Hamilton, bellabox Australia**

*"[I] schedule holidays/block-out breaks in my planning calendar before scheduling work projects. Otherwise, it's too easy to simply keep on working. And really, the best ideas don't happen when we are nose down at the grindstone."*

**Pinky McKay, Boobie Brands**

*"The quickest way to make a million dollars is to work very hard at something and never give up. The quickest way to lose a million dollars is to work very hard at something and give up."*

**Mike Kontorovich, eftsure**

*"Focus on success and the money will come."*

**Graeme Caplen-Black, Entegy**

*"Surround yourself with great people whose skills complement your own. Don't be afraid to let average people go to make*

# Words of advice business owners swear by

There's nothing like advice from people who have been there, done that. Take a look at the words of advice some Aussie business owners have found invaluable during their own journeys

| by Adam Zuchetti |

*"room for great people to come in. Hire long and fire fast."*

**Dean Taylor, Digital Wine Ventures**

*"I think the ultimate lesson in my opinion, as far as what leads to success, is an understanding that nothing is easy, but that perseverance is probably the key factor in success."*

**Steve Fanale, Drive Yello**

*"My hero of all time is Dory from the movie Finding Nemo. I find her advice is the wisest – 'just keep swimming'. Everything else is just commentary."*

**Mark Chapman, Clean & Pure**

*"Focus on success and the money will come."*

**Cyan Ta'eed, Envato**

*"My dad would always say that the secret of success in life is to keep showing up, again and again. I think this is particularly useful advice when you're dealing with failure; if you can keep picking yourself up, getting back out there and continuing with your purpose, you'll outlast everyone else."*

**John Sammut, Flower Power**

*"If you want to start a good negotiation and you don't [have] much to show for this specific business, find examples of other businesses that are like yours that you can draw on and say, 'I expect that my company is going to go well because of X, Y and Z, and this is what someone else has achieved and I can see the exact opportunity in this space'."*

**Alec Ramsey, FloraLy**

*"My dad always told us to treat people as you would*



**"SCEPTICISM COMES WITH ANYTHING YOU DO THAT GOES AGAINST THE GRAIN. THE SECRET IS TO STAY FOCUSED ON YOUR CRAFT AND BECOME PERSISTENT"**

the appointments, do the business. If it's not working, stop it as soon as you can. Cut off the dead wood early and keep moving forward."

**Errol McClelland, TurmeriX**

*"Don't try and change the world in a day; do things one step at a time and do them consistently."*

**Carmen Ellis, Majestic Whale Encounters**

*"If it's going to be, it's up to me. Don't wait, blame or over-analyse – just go and make it happen yourself, now."*

**John O'Brien, Poolwerx**

*"Be yourself. Tell the truth. Truth is good, truth is wonderful, because you only have to tell it once. If you tell a lie, you've got to tell it over and over again. Tell the truth, tell it once and that's really cool."*

**Greg Ward, professional public speaker and MC**

*"Outsourcing was a big one for me. I believed I could do it all and keep my costs to a bare minimum, and at some point, I could – until I yearned to grow the business and we began to flourish. It took a toll on me and until I took onboard the advice and outsourced, hiring an employee and someone to help with content. This was a huge help!"*

**Mariana Boulos, The Well Store**

*"It's necessary to become good at every part of business to succeed in business."*

**Jordan Walsh, Iconic Live**

*"A few years ago, our first mentor said that if we didn't get our s\*\*t together, we would be out of business soon. At this point, we had no real direction, we were selling for the sake of selling. His words really made me open my eyes and take a good look at what was going on, realising we had no purpose and a warehouse full of stock ... It really pays to have people in your business that will give you harsh but honest advice. It hurts initially, but it works."*

**Rebecca Kladinsky, Frankii Swim**

*"Lean into your strengths and find people to cover your weaknesses. I don't believe*

*"I think the biggest take[away] is stay true to your knitting, stay strong, back yourself, and get your support network in place."*

**Karen Lebsant, Kurrajong Kitchen**

*"Scepticism comes with anything you do that goes against the grain. The secret is to stay focused on your craft and become persistent. If you're truly passionate and proud of your product offering, then hard work will always see its way to the top."*

**Omar Sabre, MAISON de SABRÉ**

*"Stop succumbing to 'shiny penny syndrome'. As an*

*"entrepreneur, I'm full of new ideas. It can be tempting to take on too many new things and lose focus on strategic priorities."*

**Anneke van den Broek, Rufus & Coco**

*"Never focus on the money: focus on creating impact, finding that why and resonating that through everything you do. If you know your why, everything [else] will follow."*

**Harry Sanders, StudioHawk**

*"Find the right people. Go through existing networks, do your research, and don't be afraid to reach out to people. Don't stop moving, make*



**Adam Zuchetti**  
Editor, My Business

# How to make your business sustainable

In a world bursting with almost 8 billion fellow citizens, sustainability has become all of our responsibility

by Alex Neighbour

**BUT SUSTAINABILITY** has other benefits outside of benevolence – using sustainable practices often helps reduce overheads and provides a new way to promote your business and connect with modern customers as well.

Sustainability is not just about the environment – business sustainability also concerns social responsibility and financial thriftiness.

## 1. Ethical products from ethical businesses

If you are a retail operator who is involved in selling and buying goods, there is a lot you can do to ensure the business you are involved in is based on sustainable and ethical practices.

Ethical in this sense can mean both social and environmental.

A prime example of unsustainable and unethical practices would be the debate over palm oil. Palm oil is used in a huge variety of consumer products, however in recent years many have boycotted the

practice as it involves burning huge swathes of rainforest, destroying habitat and involves accusations of child labour and wage slavery in the supply chain.

What about people? If a product is produced by slave or child labour, you should be aware – there are no excuses in the age of the internet.

What you should be doing is examining your supply chain and your use and supply of products. Do some elemental research and discover whether people, animals or delicate environments being exploited on your business' behalf.

## 2. Reassess your packaging

Being both careful about our use of resources – and choosy about which resources they are – is an important part of being sustainable. Many green businesses are already practicing sustainability through packaging changes to green alternatives.

Not only is this fantastic for our rapidly deteriorating environment, but it is also what customers want.

"Recycling, packaging, businesses are changing all of those things because that's what consumers want," said Jerry Greenfield, co-founder of Ben & Jerry's Ice Cream.

If you produce or resell physical goods, have you looked into ways to reduce waste or use more environmentally ethical products? Can you use bamboo instead of plastic? Is your paper sourced responsibly from recycled products? Can you swap your packing and shipping material?

This kind of exploration is not only going to make you a more ethical and sustainable business but can also do wonders for branding. By advertising your switch to greener packaging – you also gain a market edge.

## 3. Get savvy with electricity use

The obvious one – but have you made meaningful changes in your business? Really?

Firstly, the majority of your power probably goes to heating and cooling – as with most businesses and households this sits around 40 per cent.

- Have you checked the energy ratings on your heating and cooling system?
- Are there ways to reduce its use while maintaining comfort?
- Does it operate without people in the office?

What about your lighting, which also accounts for a significant portion of a business' power usage?

- Are you using the latest energy saving bulbs?
- Can you use movement sensors to reduce unnecessary lighting?



- Can you be creative with white spaces, windows and mirrors to maximise light?

## 4. Solar is a game changer

While on the topic of electricity – what about strategic use of solar?

This will, of course, depend on your business and its location, but you could be surprised how easily you could integrate solar into your operations.

Home-based businesses can get a massive dual benefit from adding solar panels to their homes and even use business tax benefits for home office expenses.

People operating a market stall, coffee stand or food truck can also make use of simplified solar solutions to power their sites.

## What are some primary business benefits?

- Utility savings: Solar's greatest advantage, whether residential or commercial, is that it can reduce or eliminate electric bills.
- Storage/resale: With extra panels and a battery you could be storing energy for later use and even selling it back to the grid – making you money!
- Solid ROI: With government incentives, rebates and possible tax relief – installing solar is an excellent business move with both long term savings and immediate paybacks.
- Green reputation: Make sure your customers know you run their services on sustainable solar. Keeping your audience informed boosts your brand equity and gives your business a competitive edge.

## 5. Get serious about recycling

Your business or office is most likely a hotbed of waste. Let's tighten it up for the sake of the planet and the sake of your bottom line.

Recycling is something we should all be doing, yet many of us don't. In fact:

According to the Department of the Energy and Environment, "In 2017-18, the national plastics recycling rate was 9.4 per cent."

We can do better. What can you tackle immediately to boost your recycling credentials?

- Complete a waste management audit;
- Install numerous split bins with landfill/paper/plastic options;
- Recycle your printer ink cartridges;
- Reduce paper consumption – we all have screens, people;
- Employee communication is key – get your people onboard;
- Use more signage and better positioned bins;
- Encourage use of refillable coffee cups; and
- Remove any single-use plastics from the workplace.

## 6. Tell people!

Keep in mind that you could and should be advertising your sustainability efforts in your marketing material and throughout your general branding.

There's nothing wrong with being proud of your actions, as long as they are genuine, and it is even better to be rewarded by your customers. P



**Alex Neighbour**  
senior copywriter and content manager, Reckon

IT'S BEEN impossible to miss recent headlines about underpayment of workers' entitlements.

Many commentators have been quick to jump on each new revelation with accusations of corporate greed and executives lining their own pockets at the expense of their workers. But the truth is both far more complicated and far less sensational than that.

#### The perfect storm

The vast majority of employers set out to do the right thing by their people, but the chances of inadvertently making a mistake are extremely high and, as we are witnessing, small mistakes made across large workforces over several years add up to very large numbers.

Some argue employers are to blame, having underinvested in payroll systems and processes, some point to the complexity

of the industrial relations system, while others lament the declining presence and power of unions as a source of oversight. The reality is, it's a combination of a number of factors.

For industries with a high prevalence of underpayment of workers' entitlements, PwC has undertaken modelling using Fair Work Ombudsman (FWO) data and estimates that there is in the order of ~\$1.35 billion in underpayments per year. Sectors most at risk include construction (~\$320 million), healthcare and social assistance (~\$220 million), accommodation and food services (~\$190 million) and retail (~\$180 million).

This estimate includes ~21 per cent of the workforce in the selected industries, or ~13 per cent of the total Australian workforce.

The decline of union presence in Australian workplaces has led to a decline in the policing of

employee entitlements, where the interpretation and operation of industry-specific entitlements often carry a long history.

Falling union participation and more stringent approval tests have also impacted on the rate of bargaining for enterprise agreements. Many employers are covered by general rules that are not bespoke to their organisation and subject to change from time to time, compounding the challenge for employers to stay on top of their increasingly dynamic and ever-changing workforces.

Monitoring compliance is now largely left to the FWO, which is tasked with monitoring a large volume of industrial instruments across multiple industries.

#### Complexity is the hallmark of the system

The current industrial relations framework has been simplified, including through award modernisation, but complexity is still the hallmark of the system.

In the past 15 years, we have shifted from largely state-based, arbitrated industrial relations arrangements to a national system, working through major changes introduced by separate WorkChoices and Fair Work Act regimes.

The Fair Work Act, which commenced in 2009, continued the nationalisation of industrial relations matters through the simplification of industrial awards, shrinking common rule awards from over 1,500 instruments to 122 modern awards.

The resulting modern awards have multiple clauses addressing minimum rates of pay and other safety net entitlements that differ from

job to job, skill level by skill level and industry by industry. Safety net entitlements such as overtime, penalty and shift rates are interdependent and may differ within a single award depending upon employment status and work type.

Modern awards are subject to continuing review, initially scheduled to occur every four years. The first review commenced in 2014 and has to date produced some significant changes including changes to weekend and public holidays, penalty and casual penalty rates. But more than five years on, the first review has not yet finished; a clear indication of the remaining complexity.

The magnitude of errors that can potentially take place can be overwhelming. In many cases, one small error in a system can become a multimillion-dollar liability by the time it is discovered, many years down the track.

#### People and technology

Navigating through the system is complex but quantum leaps in data management, AI, sharing and visualisation technology have been positive. The ability to now visualise payroll data, roster patterns and hours worked across an entire workforce can bring great insight and value to an organisation. This visualisation also enables identification of small past errors that were often minor but have become magnified.

In the future, these data visualisation tools will help organisations to proactively manage their compliance risk. However, ongoing investment is required not only to keep the technology up-to-date,



**"THE MAGNITUDE OF ERRORS THAT CAN POTENTIALLY TAKE PLACE CAN BE OVERWHELMING"**



**Rohan Geddes**  
partner, payroll  
consulting, PwC Australia

but to increase the digital skills of payroll functions. Investment in technology is critical, but layered on top of underinvestment in the actual systems is the parallel issue of how far Australia is lagging behind on the skills people have today versus those needed for the digital world. Over-reliance on or incorrect use of technology can also exacerbate the underpayment challenge.

#### Many issues, but no excuses

Complexity will not be accepted as an excuse for underpayment of entitlements. The onus is on employers to keep track of, and correctly apply, the rules.

In some cases, company directors, HR professionals, accountants and other individuals with responsibility for payroll could also be prosecuted.

For workers, a simpler

system would be more transparent and reduce inadvertent underpayments. For employers, a simpler system would make it easier for them to do the right thing by their workers while reducing their own risk exposure and compliance work. For the wider economy, a simpler system would cut red tape, boost productivity and ensure Australians receive a fair day's pay for a fair day's work.

Business leaders should be asking five key questions:

- When was the last time we checked that the way we pay people is correct or sought advice to ensure that what we think are the correct rules, are actually correct?
- How are we resourcing compliance internally and have we struck the right balance between systems and people?

How regularly are we updating our HR information systems, time and attendance systems, and payroll systems?

Given the high organisational and personal risks, have we sufficiently escalated this issue within our governance and decision-making processes?

Do our people and our directors have sufficient understanding of the industrial relations landscape as it relates to our organisation?

This article was first published in PwC's Australia Matters series, November 2019. 

# Navigating Australia's industrial relations

One of the key risks facing businesses today is ensuring employees are being accurately paid for the work they do. To navigate through Australia's industrial relations system in 2020, employers must ask several questions

| by Rohan Geddes |

### How do underpayments most commonly come about?

#### Misunderstanding or misinterpreting awards

Underpayments are often caused by a misinterpretation of what employees are legally entitled to be paid. There are currently 122 modern awards and each award has multiple clauses addressing minimum rates of pay and other safety net entitlements, which differ from job to job, skill level and industry to industry.

Safety net entitlements such as shift rates, overtime and penalty rates can be interdependent. These rates may differ within a single award depending upon work type and employment status. Employers can find it challenging to correctly navigate, interpret and

implement the correct classifications for their employees.

Some common industry awards contain over 10 separate rules that affect overtime accrual, which can be problematic for an overworked payroll team, who may not have the training or skills needed. Complexity of the award system is a significant contributor to the underpayments issue. Unfortunately, small errors over a long period can expose employers to the risk of substantial financial penalties.

#### Annualised salaries

Often underpayments arise from employers paying their employees annualised salaries without checking whether the employees are

better off as compared with applying the relevant award or enterprise agreement.

#### Annualised salary provisions in awards

In an effort to combat the increase in wage underpayments, the Fair Work Commission has introduced model annualised salary clauses to be inserted into a number of awards, many with widespread coverage, including the Clerks – Private Sector Award; the General Retail Industry Award; the Banking, Finance and Insurance Industry Award; and the Manufacturing and Associated Industries and Occupations Award.

The model clauses do vary depending on the award but overall it is fair to say that they impose significant obligations on employers wanting to pay full-time employees an annualised salary under the award. Obligations include detailed reports including getting employees to record their start, finish and break times, identifying an outer limit of ordinary hours that can be worked before overtime and penalty rate hours would arise, having employees sign off on their hours every pay period and conducting regular reconciliations to ensure the annual salary is sufficiently high to absorb all award entitlements.

It is anticipated that these new clauses, effective from 1 March 2020, will assist in minimising underpayment risk for employers paying annualised salaries. However, the requirements are hugely onerous on businesses and will no doubt cause employers real challenges. This not just being from the perspective of

compliance, but also the risk of a cultural shift (and likely not a good one).

Given more businesses are offering increased flexibility around when, where and how their employees work, there has been much criticism of the annualised salary provisions and the concern that they will take the workplace backwards in terms of flexibility, reverting to a clock in/clock out, "clockwatching", time-based approach.

That being said, it appears that there is the option for employers to decide to not follow the annualised salary arrangements in any applicable award and implement or continue to rely on set-off clauses in their contracts of employment. The FWC has indicated in its decision regarding annualised salary provisions that employers can make arrangements under an employment contract without engaging with the annualised wage arrangement clause in the applicable award:

"... an employer is able to pay an employee to whom an award applies an annualised salary arrangement that compensates for or 'buys out' various identified award entitlements without engaging with any annualised wage arrangement clause in that award and without there needing to be an annualised wage arrangement clause in that award ... The model clauses do not seek to invalidate or regulate any such contractual arrangements."

If this option is something that your organisation would like to consider, advice is needed on the relevant considerations, the "pros and cons", and in practice

# Underpayment of wages - No business is immune

In Australia, there has been increased scrutiny by the Fair Work Ombudsman, the regulator, on employers' underpayment of wages, or "wage theft" as it is commonly known. George Calombaris of *MasterChef* fame, Heston Blumenthal, Subway and supermarket giant Woolworths are just a few big names that have been associated with significant and systemic underpayment of staff

| by Nicola Martin and Kate Staude |

**"DIRECTORS AND MANAGERS ARE NOT BEYOND REPROACH, WITH DIRECTORS AND EVEN HR REPRESENTATIVES OF COMPANIES FOUND TO HAVE BEEN UNDERPAYING EMPLOYEES BEING PERSONALLY HELD ACCOUNTABLE"**

how your business could go about it. Ultimately, however, the question remains as to how an employer would satisfy the regulator or a disgruntled employee that the annualised salary was sufficient to absorb all the other entitlements under an award if the employer does not actually know what hours the employee has worked.

#### Penalties

Interestingly, despite many employers voluntarily coming forward to reveal underpayments, and those employers committing to repay any money owed, the Fair Work Ombudsman is increasingly seeking penalties against these employers, with the

Fair Work Ombudsman, Sandra Parker, stating in response to Woolworths' revelation that the FWO "will hold them to account for breaching workplace laws ... [corporates] must understand that admission is not absolution. Companies should expect that breaking workplace laws will end in a public court enforcement outcome".

Currently, the Fair Work Ombudsman operates as the independent federal employment watchdog, tasked with investigating and prosecuting workplace complaints, and enforcing compliance, including ensuring employers are paying employees their minimum entitlements.

workers, and auditing pay for a number of years into the future.

Breaches of the Fair Work Act can lead to orders for the repayment of the underpayments and attract penalties of up to \$63,000 per contravention for companies and up to \$12,600 per contravention for individuals.

In cases of serious contraventions, being when the person or business knew they were contravening workplace laws and the contravention was part of a systematic pattern of conduct, penalties can be up to 10 times as much, so \$126,000 per contravention for individuals, and \$630,000 per contravention for companies.



Directors and managers are not beyond reproach, with directors and even HR representatives of companies found to have been underpaying employees being personally held accountable. This means that, in circumstances where the director and/or HR representative were "knowingly involved" in a contravention, the individual can be personally fined.

#### Criminal sanctions

The Attorney-General is currently drafting federal laws to deal with criminalising worker exploitation. Australian Prime Minister Scott Morrison put employers on notice that those who exploit workers may soon face criminal penalties for serious instances of "wage theft". The current focus on "criminalising wage

theft" has been lauded as a huge shift by the Fair Work Ombudsman.

#### Inquiry into wage theft

On 13 November 2019, the Senate voted to refer a wide-ranging inquiry into wage theft to the economics references committee. The committee will consider how

It is critical employers are familiar with the various employment classifications in the relevant awards and their corresponding pay rates, as well as the triggers throughout the year for wage increases, for example junior or apprentice rate changes.

A comprehensive audit should highlight any weaknesses in the payroll system and provide recommendations. Employers should ensure their payroll team is properly resourced and companies should invest in their technology so that

their systems and record

keeping procedures are up to date.

The office of the Fair Work Ombudsman is staffed and ready to investigate companies who may be in breach of the Fair Work Act. In this competitive landscape, it is important for companies to remember that their employees are their greatest asset. 

#### It's not just the dollars

The penalties for contravening the Fair Work Act are significant, however,

for some companies, the reputational risk of an underpayment scandal is of even more concern. In order to ensure compliance, employers must understand the make-up of their workforce and correctly identify who is covered by an award.

**Nicola Martin**  
principal, McCabe Curwood

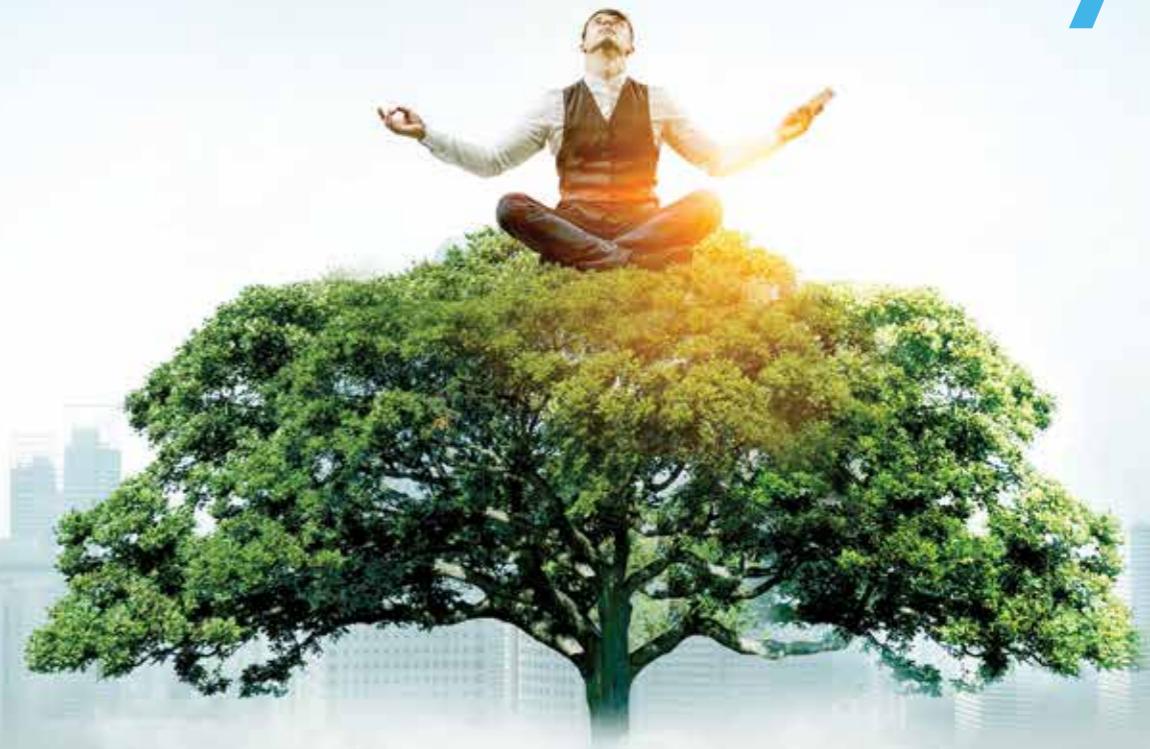


**Kate Staude**  
lawyer, McCabe Curwood

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RMIT University



**Martine Hoosen**  
managing director,  
Bookwiz



**Lielette Calleja**  
director,  
All That Counts



## Obligations

When working with the public it is inevitable that ethical dilemmas will occur from time to time, as professionals it is our obligation to ensure that they are handled professionally.

An example of an ethical dilemma occurred while I was employed at a previous firm. We acted for a couple and their respective businesses, the relationship was in turmoil and eventually the wife decided divorce was the only option. In and of itself this is not largely unusual, however, the wife disclosed this information to us prior to talking to the husband. This made for a very uncomfortable few weeks as we were talking to both parties nearly daily.

At the time I approached the partners of the firm and discussed the situation and my concerns of a potential conflict of interest due to acting for both parties. In the end, I was advised to continue as normal. Although this situation ultimately worked out for all involved it did highlight the potential ethical dilemmas that we come across as trusted advisers. If this was to happen again today, we would seriously consider all options to ensure that professionalism and ethical integrity is maintained.

The parties separated relatively amicably and have moved on with their lives, however it did raise some ethical questions throughout the experience.



## Honesty

Ethical dilemmas are considered one of the major issues that cause anxiety among professionals. Tackling an ethical dilemma can cause unwanted stress upon many.

If faced with an ethical dilemma, the best course of action is to engage with the relevant stakeholders in a timely manner, and have an honest discussion of the issue at hand, and how this ethical issue may be resolved. Just because there is the potential for an ethical issue, does not mean it cannot be mitigated with appropriate safeguards, which is a common misconception among professionals (that most/all ethical decisions are not "fixable").

Early discussions and proactive actions are the best course of action if faced with an ethical dilemma.

Over the years, most of the ethical dilemmas I have had to deal with have arisen from the ethics of our clients. The handling of these issues on each occasion was a no brainer! I cannot risk our reputation and practice by retaining a client that doesn't operate ethically. If after arranging a meeting and discussing the issues (and highlighting where it indicates in our Letters of Engagement the Professional Code of Conduct that we are bound by), the client cannot agree to move forward with us ethically aligned, we just cannot continue to provide a service to them. It's just not worth the risk, no matter how big the client is!



## No brainer

My practice has been operating for 20 years, so I've faced my fair share of ethical dilemmas. We are in a profession where trust and confidentiality are paramount, therefore any breach of our ethical policies from any of our team members or colleagues would be seen as serious misconduct. Our internal Code of Conduct has ensured any Bookwiz team member knows of our strict ethical policies from the get-go, as well as the immediate consequences to any breach.

Regardless of whether an ethical dilemma has been around the ethics of my clients, colleagues or employees, my approach has always been to deal with it immediately so as to intercept any potential risk to my practice.

Over the years, most of the ethical dilemmas I have had to deal with have arisen from the ethics of our clients. The handling of these issues on each occasion was a no brainer! I cannot risk our reputation and practice by retaining a client that doesn't operate ethically. If after arranging a meeting and discussing the issues (and highlighting where it indicates in our Letters of Engagement the Professional Code of Conduct that we are bound by), the client cannot agree to move forward with us ethically aligned, we just cannot continue to provide a service to them. It's just not worth the risk, no matter how big the client is!



## Experience

Ethical dilemmas become more natural to face over the years. I know that 15 years ago, I would have taken the "appease a client" approach, but today it's all about aligning my values and ethics without sacrifice.

The irony is clients who repeatedly question your ethics are the ones who make it very easy to terminate them – dodging bullets and sniffing out the horrendous clients has become an art.

Ethical judgment has been tested by us a couple of times:

1. I've had the client who wanted us to gross up his payslips to get a new loan. His tone was very much if we didn't do it; he would terminate our services. I suggested he speak to his accountant. The accountant was OK with falsifying payslips, so we removed ourselves from both client and accountant. Although I lost income, I gained a better night's sleep – best decision ever!
2. Double-dipping clients on business deductions are warning signs from the onset. This client had significant amounts of ATM drawings, which we coded to the client's loan account until they provided us with paperwork for all the cash expenses for their new facility fit-out. Upon lodgement of BAS, the client couldn't understand why we didn't claim GST on all the ATM withdrawals. She insisted we didn't know what we were doing and demanded we claim GST – we nicely handed the bookkeeping back over to her.

**Q. If you were faced with an ethical dilemma, what would you do?**



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# Technical

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

# Noose is tightening on property holders

by Tony Greco |

**HAVING SURVIVED** potential changes to negative gearing, most property investors could be forgiven for feeling somewhat relieved, however there have been a number of other tax property related tweaks that are impacting on property holders.

First, there were the changes in the deductibility rules for property investors. Travel claims for certain investors were no longer deductible. Property investors can no longer claim rental property travel expenses incurred while inspecting, maintaining or collecting rent from rental properties. Loss of deduction for travel became law from 1 July 2017 and, despite this, the ATO is still finding that many taxpayers continue to claim travel expenses in defiance of the law. Ignorance of the law change or deliberate, it is too early to speculate.

At the same time, income tax deductions for the decline in value of "previously used" or "second hand" depreciating assets were also made. You can no longer claim a deduction for decline in value for used assets from 1 July 2017 unless either:

- the previously used asset was acquired under a contract entered into prior to 7.30pm on 9 May 2017; or

- the asset was acquired prior to 1 July 2017 and the entity was not entitled to a deduction e.g. it was not used to earn income.

The effect of the amendments is the investor will only be allowed to deduct the decline in value of depreciating assets if the asset is acquired new.

Secondly, the government has changed the law around deductibility of expenses such as council rates and interest connected with vacant land.

This change applies from 1 July 2019, irrespective of when the property was purchased. Investors can no longer claim holding cost on vacant land where the intention was to construct new residential premises. Holding cost denied could be applied to the cost base of the land for CGT purposes.

The third change relates to the capital gains tax rules for foreign residents. Individuals who are foreign residents are entitled to the CGT main residence exemption in the same way as individuals who are residents of Australia for taxation purposes.

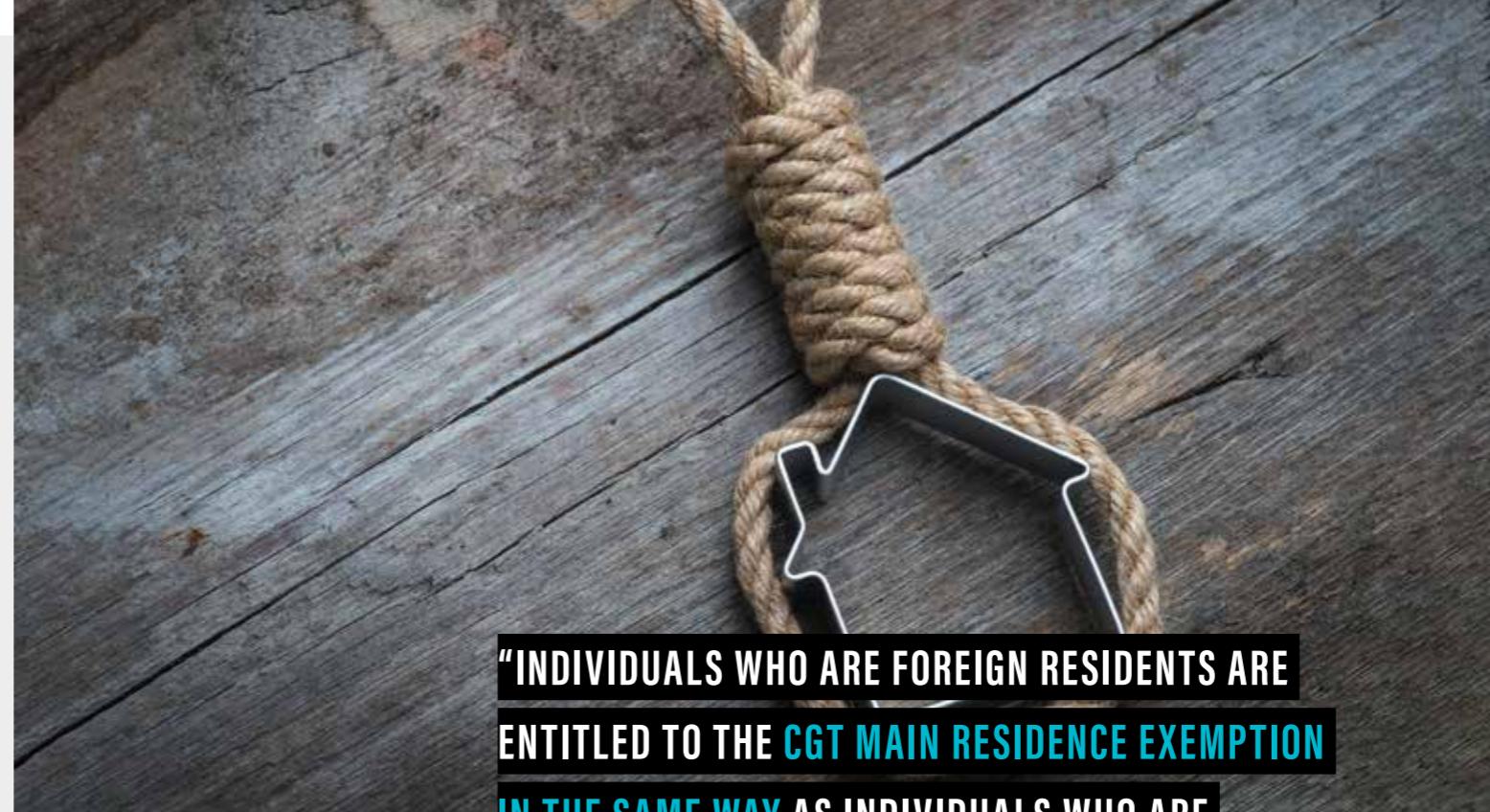
The main residence exemption disregards a taxpayer's capital gain or loss for CGT purposes if the taxpayer is an individual and the dwelling was the taxpayer's main residence throughout the ownership period. The main residence exemption also provides a partial exemption if the dwelling was the taxpayer's main residence for only part of the ownership period.

The main residence can also apply to an individual who is a beneficiary of a deceased estate, where the deceased person used the dwelling as a main residence.

The government has now enacted changes to the CGT tax rules to remove the entitlement to the CGT main residence exemption for foreign residents other than where certain life events occur during the period that a person is a foreign resident where that period is six years or less. This change applies from 9 May 2017, however transitional relief for the main residence exemption applies to 30 June 2020.

If the home was acquired before 9 May 2017, the main residence exemption will apply if the sale happens on or before 30 June 2020 and the normal eligibility criteria under the main residence exemption have been satisfied. If the sale happens on or after 1 July 2020, the new rules will apply. If the property was acquired on or after 9 May 2017, the new rules will apply regardless of when the property is sold.

If the property was acquired before 20 September 1985, it will still be a pre-CGT asset that will not create a CGT liability if sold in any case. If you are an Australian tax resident at the time of



## "INDIVIDUALS WHO ARE FOREIGN RESIDENTS ARE ENTITLED TO THE CGT MAIN RESIDENCE EXEMPTION IN THE SAME WAY AS INDIVIDUALS WHO ARE RESIDENTS OF AUSTRALIA FOR TAXATION PURPOSES"

selling your main residence, you will not be affected by the change. Also, Australian residents will not be affected even if they become a foreign resident while owning their main residence, as long as they re-establish Australian tax residency and are an Australian tax resident at the time they sell their main residence (CGT event A1).

CGT event A1 occurs at the time a contract is entered into and this is the critical date. As a result of the change, unless the foreign resident takes advantage of the transitional relief, affected foreign residents need to recognise a capital gain or loss that arises from the CGT event.

One issue that comes to mind is all the holding cost and capital improvements to the property since acquisition. Can the taxpayer recall and, more importantly, kept documents to substantiate these outgoings as they can increase the cost base for CGT purposes, so long as you were not deriving income from the property. For CGT purposes,

non-deductible holding costs such as repairs, rates, insurance and interest on a loan to acquire the property can be added to the cost base to calculate the capital gain on the property.

There is, however, a carve-out if an individual has been a foreign resident for a continuous period of six years or less, then the person may be still able to access main residence exemption.

Life events that can enable the foreign resident to access the main residence exemption are as follows:

1. Terminal medical condition – either you, your spouse, or their child who was 18 years of age had a 'terminal medical condition';
2. Death – your spouse or child under the age of 18 dies; or
3. Divorce or separation – the sale of the home involved the distribution of assets between you

and your spouse as a result of divorce, separation or similar maintenance agreements.

If one of these life events occur at the time of the CGT event to a foreign resident who has been a foreign resident for a continuous period of six years or less, then the person may be still able to access main residence exemption.

The six-year absence rule will not help a foreign resident access the main residence exemption. Under the six-year rule, a property can continue to be exempt from CGT if sold within six years of first being rented out. The exemption is only available where no other property is nominated as the main residence. When the dwelling is reoccupied as the main residence, the six-year exemption resets.

This absence rule that could otherwise have applied is disregarded if at the time of CGT event A1 for the sale of the dwelling is the time the contract for sale was signed, that is

15 October 2020. As Vicki was a foreign resident at that time, she is not entitled to the main residence exemption in respect of her ownership interest in the dwelling.

Note: This outcome is not affected by:

- Vicki previously using the dwelling as her main residence; and
- the absence rule in section 118-145 that could otherwise have applied to treat the dwelling as Vicki's main residence from 1 July 2018 to 15 October 2020 (assuming all of the requirements were satisfied).

The CGT main resident exemption change comes on top of the foreign resident capital gains tax withholding regime. The foreign resident capital gains tax withholding regime has been quite successful since its introduction. The withholding regime requires purchasers of certain Australian property that has a market value of \$750,000 or more to withhold 12.5 per cent of the purchase price and pay it to the ATO, if they purchase the asset from a foreign resident.

While property investors dodge the negative gearing bullet, there has been a raft of other changes that tax practitioners need to be on top of in order to manage clients' property affairs. [P](#)



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

# R&D tax update: What you need to know in 2020

A general reminder for year-ended 30 June 2019 companies planning on accessing the R&D Tax Incentive program that you must lodge your R&D Application Form with AusIndustry within 10 months of the relevant financial year-end

by Jessica Olivier and Jack Dean |

**THIS MEANS** that the deadline for 30 June 2019 year-end companies will be 30 April 2020. We would encourage all companies who have not yet started the process to contact us as soon as possible to ensure there is sufficient time before the deadline to properly assess all eligibility requirements of the program (including the requirement to keep contemporaneous documentation) and avoid the last-minute rush.

**Reminder about record keeping requirements**  
As the R&D Tax Incentive program is a self-assessment program, it is incumbent on the taxpayer to ensure that their registered R&D activities and associated expenditure meets all eligibility requirements set forth in the legislation.

A key requirement is that companies keep adequate records to demonstrate to both AusIndustry and the ATO that the requirements are met. Records must generally be kept for a minimum of five years and a failure to do so may mean that R&D offsets must be repaid, and penalties may be imposed in certain circumstances. RSM has been working collaboratively with our clients and the administrators to ensure optimal knowledge flow in relation to best practice, and we have assisted our new clients with governance and documentation processes to ensure maximum value from the R&D program is obtained.

**Ombudsman report into the administration of the R&D Tax Incentive**  
On 12 December 2019, the Australian Small Business and Family Enterprise Ombudsman

(ASBFEO) released its report into administration and compliance activities being undertaken by the regulators of the R&D Tax Incentive program (AusIndustry and the ATO).

The report put forward some deep concerns from the business community in relation to the actions of the program administrators and made 24 sweeping recommendations to overhaul the way in which the program is regulated. This included the integration of AusIndustry and ATO administration, the implementation of a more collaborative compliance process with industry, the development of improved guidance materials and the provision of assistance for companies in the identification and retention of responsible R&D consultants.

The administrators have been positive in responding to the recommendations and are currently considering options to improve the program.

## New R&D tax incentive integrity framework

In the month prior to the release of the Ombudsman's report, AusIndustry published details of a revamped R&D Tax Incentive Integrity Framework, signalling a more collaborative and real-time approach to the administration of the program. As part of this, AusIndustry has released a User Journey document detailing how it will engage with applicants throughout their R&D Tax Incentive journey, and tailor compliance activities based on the categorisation of companies

into risk categories based on the new Integrity Framework.

## Introduction of New Zealand R&D Tax Incentive program

New Zealand's recently introduced R&D Tax Incentive program offers some of the most generous R&D funding benefits available across Asia-Pacific, providing a 15 per cent tax credit for eligible applicants, which can be taken as a refund in certain circumstances.

The program was introduced from 1 April 2019, so standard balancers (31 March 2020 year-end) will soon be able to submit an R&D return.

The ability exists to couple an R&D claim under the new R&D Tax Incentive program with the existing R&D tax loss cash-out regime (under IAS 38) if the relevant criteria is satisfied.

## Introduction of revised changes to the R&D Tax Incentive

On 5 December 2019, the government re-introduced a bill containing changes to the R&D Tax Incentive program. The bill (the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019) is largely the same as the prior bill (based on changes proposed in the 2018 federal budget) that was previously referred to the Senate economics legislation committee.

In November 2018, RSM was one of three firms that attended the committee hearing as a witness, where a large number of concerns were raised by the bipartisan panel and expert witnesses. The revised bill appears to have been

reintroduced in a manner that largely ignores the previous industry concerns. It is unclear at this stage whether the new measures are likely to pass, however it is important to note that if passed, this would apply retrospectively from 1 July 2019.

## The revised bill seeks to make the following changes to the program:

1. Increase the R&D expenditure threshold from \$100 million to \$150 million;
2. Link the R&D tax offset for refundable R&D tax offset claimants to claimants' corporate tax rates plus a 13.5 percentage point premium;
3. Cap the refundability of the R&D tax offset at \$4 million per annum (excluding clinical trials);

contained within Division 355 of the *Income Tax Assessment Act 1997* (Cth) and indeed, the first in relation to the R&D tax incentive legislation. The decision provided a departure from the manner in which some of the concepts were being applied within industry and by the Administrative

**"AUSINDUSTRY HAS RELEASED A USER JOURNEY DOCUMENT DETAILING HOW IT WILL ENGAGE WITH APPLICANTS THROUGHOUT THEIR R&D TAX INCENTIVE JOURNEY"**

Appeals Tribunal (AAT) prior to this matter.

Innovation and Science Australia has confirmed that it will not seek special leave to appeal to the High Court. It should be noted that some fact-based matters have been referred back to the AAT, and it is uncertain when the outcome of these issues will be known. <sup>P</sup>



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# SMSFs and family law super splitting

A superannuation interest is considered 'property' for the purposes of the *Family Law Act 1975 (Cth)* (FLA). Thus, it may be split in a similar manner as the parties' other assets in response to a relationship breakdown

by Daniel Butler

**INDEED, THE** superannuation splitting laws extend to all de facto relationships in all states and territories, except for Western Australia where superannuation for de facto couples currently is not a separate splittable asset and instead receives treatment as a financial resource.

This article provides an overview of some of the key aspects to be taken into consideration when undertaking a super split in a self-managed superannuation fund.

## What is a splitting order?

A superannuation split may occur under either a splitting order or a superannuation agreement, which forms part of a financial agreement (splitting order).

Where an SMSF trustee receives a splitting order, certain obligations apply. Broadly, the SMSF trustee is bound to apply the terms of the splitting order whenever a splittable payment (i.e. a spouse's superannuation interest) becomes payable.

## Who are the parties?

The superannuation splitting laws refer to the relevant parties as the member and non-member spouse.

The member spouse is the member whose superannuation interest is being split. Typically, the member spouse will be the member remaining in the SMSF. In contrast, the member obtaining the benefit is referred to as the non-member spouse. Often the non-member spouse is the departing member exiting the fund once the payment split is carried out.

Note that if there is a split of each member's interest in the same SMSF, both parties may be a member spouse in respect of their own interest and non-member spouse in respect of their former partner's interest.

## What is a splittable payment?

A splittable payment includes the following:

- a payment to a spouse;

- a payment to another person; or
- a payment to the legal personal representative (LPR) of the spouse, after the death of the spouse.

While splittable payments typically occur on the retirement, rollover or death of a member, a splitting order places an additional obligation on an SMSF trustee to split the member's benefit between the member and non-member spouse, pursuant to the particular terms of the splitting order.

## Splitting a superannuation interest

Indeed, the SMSF trustee must observe the operating

standards contained in Part 7A of the *Superannuation Industry (Supervision) Regulations 1994 (Cth)* (SISR) when they receive a splitting order. The splitting order will set out the terms of the superannuation split. Broadly, the amount of a splitting order may be determined by either a 'base amount' or 'percentage' method.

Under a base amount split, a splitting order will specify a particular amount or formula for determining the amount payable. In contrast, under a percentage interest split, the amount payable is determined by reference to a percentage payable to the non-member spouse.

Naturally, the most appropriate splitting method will depend on a number of factors. Thus, each party should ensure they obtain expert advice from their family lawyer and adviser before deciding on what method best suits their particular circumstances.

Once the superannuation interest becomes subject to a payment split, the non-member spouse may generally request one of the following options in respect of the interest:

- create a new interest in the same fund – this option may be precluded under the SMSF deed;
- transfer the benefits to another complying rollover fund; or

## Implementing splitting orders

While the FLA empowers the court to make orders in relation to the superannuation interests of the parties, what SMSF trustees and advisers often do not realise is that splitting orders do



**"A SUPERANNUATION SPLIT MAY OCCUR UNDER EITHER A SPLITTING ORDER OR A SUPERANNUATION AGREEMENT, WHICH FORMS PART OF A FINANCIAL AGREEMENT"**

not enliven the relevant splitting provisions in the SISR, nor do they bind the SMSF trustee as a third party to the relationship.

Accordingly, additional documents are required to implement a legally effective superannuation split.

DBA Lawyers' suite of Family Law SuperSplitting documents provides practical guidance to SMSF trustees and advisers in relation to the steps required by the SISR to implement a legally effective split.

These documents cover both married couples and couples terminating a de facto relationship, including same-sex relationships.

SuperSplitting in an SMSF context typically results in a restructure of an SMSF. Naturally, each member that is undergoing a separation should consider

their wills, powers of attorney, binding death benefit nominations, shareholdings/directorships in companies, who are nominated as appointors to any discretionary trusts etc that invariably must be changed after a separation and/or divorce.

## Other matters

Numerous other issues should be considered before implementing a splitting order. In particular, among other things, the following should be considered:

- transfer balance account issues;
- tax consequences including capital gains tax (CGT) liabilities and whether any CGT rollover relief should be claimed; and
- stamp duty.

## Conclusion

There are a range of issues involved with a super split. A super split must be properly documented and strategically managed to be legally effective. We offer a document suite and advice that focuses on SMSF aspects.

Note that the above commentary is a general summary only and is not intended to be relied on as advice. P



**Daniel Butler**  
director,  
DBA Lawyers

**NOW IT'S** 2020 and we've evolved beyond such medieval rules and as we contend with contemporary asset structures like superannuation, and family structures grow more diverse and complex, estate planning has never been so essential. However, not everyone may follow your wishes upon your death, and just because you wish something doesn't mean it's legally valid.

So, what do you need to know about estate planning when it comes to superannuation? Let's dive deep into the topic.

#### Where does planning to pass on your super after your death start?

To get your house in order, you need to know what's in your house. There's a reason super is an expertise all on its own – it is one of the most misunderstood aspects of preparing an estate.

A lot of people assume that your super fund will be dealt with according to your will, but they are two separate areas of law – just

because you have a will, and it's enforceable, doesn't mean it will extend to your superannuation. This is because super isn't an estate asset – it's held in a separate trust structure and does not automatically form part of the estate upon death.

As a consequence, you may need to provide quite separate instructions as to what is to happen to money inside your superannuation trust in the event of your passing. Indeed, unless you leave specific instructions, it is the trustee who determines how to deal with your death benefit, the same as your legal representative will deal with the remainder of your estate. They may not be the same person, and they may not agree.

#### What are the different types of super funds?

There are many different options – from self-managed super funds (SMSF) to corporate funds, industry funds, government employee super funds, and so on.

# How superannuation death benefits work

Not too long ago, it was accepted that a deceased's main estate would pass to the eldest child – or more often, the oldest son. Nowadays this would be considered highly controversial, but it was certainly simple

| by Shirley Schaefer and Paul Rafton |

As far as estate planning is concerned there's not a huge amount of difference between them; essentially, the rules are generally the same across all types of super funds.

#### Can you nominate anyone as your beneficiary?

No. What a lot of people think is that they can write a death nomination in favour of their parents, which is actually not allowed under the rules – it has to go to a spouse or a dependent, as we discuss later in this article.

#### So, how do we ensure that our nominating beneficiaries receive our superannuation benefits?

You must make sure all the paperwork is in place, and ensure it has been 'road tested' (which we will expand on below).

From a paperwork standpoint, it is advisable to talk to your beneficiaries while you are alive to let them know what your intentions are in the event of your passing. While you may be worried it will cause a fight, it's better to have that fight now while you are around to arbitrate.

Expanding on that point, you may feel while reading this that your family is close-knit and would never fight over your assets, however experience has told us that sometimes arguments do occur after somebody's passing, no matter how close the family was beforehand. We don't always want to believe it, but sometimes money can change people, and it doesn't have to be large sums, either. So, whether you are close with your family or not, you must plan as though an argument could break out so that you

have prepared and ruled on the matter before it becomes a problem.

#### How do you 'road test' an estate plan?

Road testing is the act of predicting and planning for potential future scenarios that might cause drama after your passing. It involves asking yourself tough questions, questions that might even seem inconceivable right now – what happens if one of your children decides to leave the family? Who would have predicted five years ago that

Prince Harry would leave the royal family? How would that scenario play out in your family? Who and what does it impact? Does it impact your estate plan? Would you have to sit down and reformulate the structure?

Chances are, the answer is 'yes' to that final question.

Run through as many of these scenarios as you can think of – people fighting, breaking apart, even manipulating each other – and consider how your estate plan holds up in each case, and what you can do about it. Again, having these fights

before your passing is one way to rule on them before you are gone.

#### What SMSF structures are the most appropriate for ensuring control of the outcomes after death?

Zooming in on SMSFs in particular, given that this is a fund type that you would help set up yourself, it's highly important that you understand how to do so to prepare for your future passing. Generally, it's important to have a corporate trustee rather than just

individuals. Corporate trustees can provide ease of administration and paperwork, particularly in the event of a trustee's passing. You see, in an SMSF all of the superfund assets are held in the name of the trustees, so on the death of one of those individuals there's a lot of work to be done, from an administrative point of view, just to get assets into the right names. Alternatively, if you elect a corporate trustee then it's in the name of the company and it's only the directors behind the scenes who change.

#### Who are tax dependents?

A spouse, or a child under the age of 18, a child with a disability, someone in a 'financial dependency' relationship, or someone in an interdependency relationship. Benefits paid to tax dependents will generally be paid to them without income tax consequences.

This may seem like a trivial point when planning your estate, especially if you're close with your family and trust them implicitly. However, it's a time-consuming process and if you're relying on others to assist you (e.g. with the legal side of things), then it's a costly process too.

In short: a corporate trustee is more enduring than individual trustees, because it doesn't change when members or directors pass away.

#### What are the income tax consequences of superannuation death benefits and can this be managed?

Yes, it can be managed. It depends on a lot of things, like who the benefit is being paid to, and also the components of the death benefit itself. Sometimes getting the right outcome from an estate point of view causes tax consequences and then other times, if you're trying to manage the tax consequences, you may not get the estate outcome you're looking for.

Mainly, you need to distinguish between a tax dependent and a non-tax dependent – a piece of income tax law that can get tricky.



**"NOT EVERYONE MAY FOLLOW YOUR WISHES UPON YOUR DEATH, AND JUST BECAUSE YOU WISH SOMETHING DOESN'T MEAN IT'S LEGALLY VALID"**



● **Who are non-tax dependents?** Everyone else, for example adult children. Benefits paid to non-tax dependents may have income tax consequences.

#### What is the Transfer Balance Cap?

The Superannuation Transfer Balance Cap (TBC) became effective on 1 July 2017 and was introduced to set a limit on how much money from superannuation accumulation phase can be transferred into the retirement phase. The cap is currently \$1.6 million.

The TBC and how it applies to individual circumstances is complex and may impact upon your estate planning decisions with respect to your superannuation benefits.

#### What are some of the common traps people fall into?

##### Paperwork

Paperwork makes up some

of the biggest pitfalls people stumble into while estate planning. Either their instructions aren't clear, they have not been updated/reviewed regularly, or the instructions have not been drafted in accordance with the trust deed or the rules that exist.

Here's an important piece of advice – don't set and forget your estate plan. For example, right now you may prepare a death benefit nomination to leave your super to your four children, all of whom are minors (and, thus, tax dependents). However, if you pass away in 10 or 20 years, those children will no longer be minors and your superannuation death benefit no longer eligible.

By having these conversations now, and seeking the help from an expert, you will be able to work out what you do and don't know, and plan for it in advance.

##### Talk to a specialist

Back in the old days, most people would assume that they need a lawyer to sort out their estate, but with super in the picture you also need an accountant who specialises in this area. By bringing all of the experts

together from the outset, they can help you ask the right questions and ensure you don't overlook anything important, which will save a lot of pain and headache for your family later on.

##### In summary

Just because you stipulate that you want your super to pass to your relatives does not mean that it can – there are many complexities in Australian super law that must be taken into account, and some of these may prevent your wishes being carried out the way you intend.

Talk to your family now to ensure that they understand your intentions, bring in a specialist to help you ensure your estate is structured legally and the way you want, and ensure you regularly review and, if necessary, update your will and superannuation death benefit nomination as the years pass and your personal circumstances change. [E](#)



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<sup>#</sup>Combined Cover – This offer is available if you apply for cover before 30 April 2020. If you apply for two or more cover types before 30 April 2020 and are issued with two or more covers, you will not start paying premiums for each cover respectively, until two months after the commencement date of the relevant covers. If you apply for one or more cover types before 30 April 2020 and are issued with only one type of cover, or if you apply for and take out two or more covers but cancel any cover(s) within the first month so that only one cover remains current, you will not start paying premiums on the remaining cover until one month after the commencement date of that cover. This offer applies for all completed applications received before 30 April 2020. This offer is available once only per new customer and may not be used in conjunction with any other offer.

The information provided in this guide is general only and does not take into account your individual circumstances, objectives, financial situation and needs. If in doubt about your personal situation or needs, you should seek financial advice. Please consider the Product Disclosure Statement which sets out the terms and conditions of the Life Insurance cover to make sure this cover is right for you. You can contact NobleOak for a copy on 1300 108 490 or online at [www.nobleoak.com.au](http://www.nobleoak.com.au). NobleOak Life Limited ABN 85 087 648 708 AFSL No. 247302. NobleOak also offers Income Protection, Trauma, and Total & Permanent Disablement Insurance cover.



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