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INSTITUTE OF PUBLIC ACCOUNTANTS®

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

TO HELL AND BACK

IPA's tax expert Tony Greco narrates an accountant's untold coronavirus journey

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ALSO

5 MINUTES WITH THE CHAIRMAN OF THE ICSB

PAGE 42

+ MANUFACTURING A REVIVAL | STATUS OF SME INNOVATION | SUPPLY CHAINS TESTED | STUDENT SHUTOUT

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by Tony Greco

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Last month, Ahmed Osman, the chairman of the International Council for Small Business (ICSB), sat down for a quick chat with the *Public Accountant*, sharing his observations of the coronavirus and the ICSB's response

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Darren Gleeson's accounting journey started over 30 years ago. As a newly minted accounting graduate, he secured his first job with a Perth accounting firm, Athans & Taylor, but soon found himself itching to start his own practice

Editor's letter

Before you is our August/September edition of the *Public Accountant* magazine. This one, much like the previous, is highly influenced by the coronavirus crisis, which continues to wreak havoc across the globe.

Join us on this journey as we too try make sense of this changed, new world. But before we begin, we do hope you are all safe and well, and still enjoying the comforts of your homes.

In this edition, our resident tax expert, Tony Greco, dives into the stimulus story, exposing it for its true self warts and all.

We also bring you a short but sweet interview with Ahmed Osman, the chairman of the International Council for Small Business (ICSB), who shares with us his perspective on the coronavirus crisis.

We dive into Australia's manufacturing scene, or lack thereof - a topic that has been prodded and poked on Zoom calls across the country. Also taking centre stage is the weakness of our supply chains, which we've all had the displeasure of experiencing in the form of toilet paper shortages at the beginning of the pandemic.

Enjoy these articles and more in our new edition.

Happy reading!

maja@momentumconnect.com.au.

Maja Garaca Djurdjevic

Content manager

Visit publicaccountant.com.au and join the conversation.

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

Mumbrella PUBLISH Awards 2019 FINALIST

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An industry long in terminal decline, could Australian manufacturing really emerge from the coronavirus crisis as a major player in the nation's economic recovery?

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The coronavirus pandemic has wreaked havoc across a wide range of industries worldwide, but nothing has been more apparent than the previously seldom explored weakness of global supply chains

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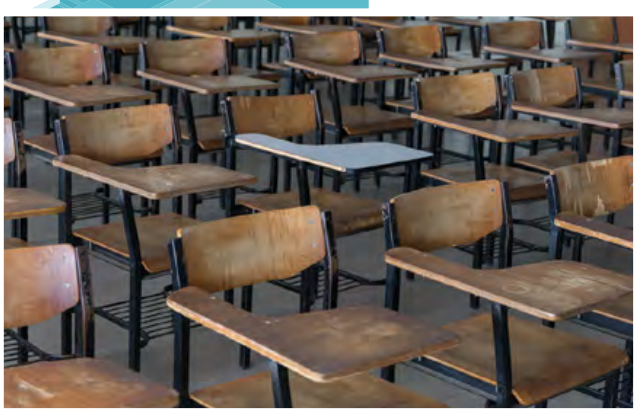

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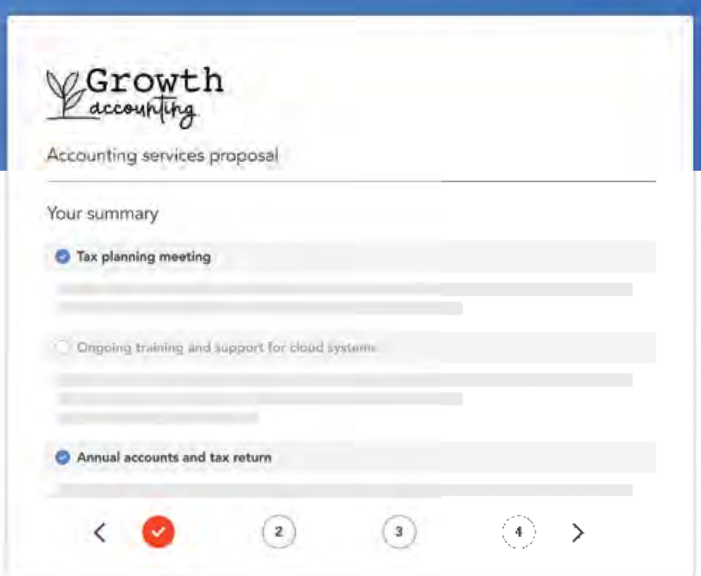

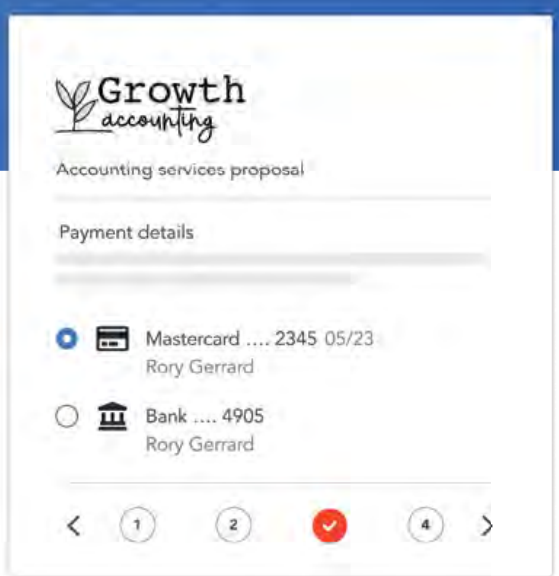

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Celebrating small business

| Damien Moore FIPA FFA |

On 27 June, the world celebrated MSME day. In 2017, the General Assembly of the United Nations declared 27 June as the international day for Micro-, Small and Medium-sized (MSME) businesses in recognition of their contribution to local and global economies

THIS WAS an initiative driven by the International Council for Small Business (ICSB), of which the IPA's Vicki Stylianou is a board director.

We know that MSMEs are the heartbeat of economies worldwide and are vital in the role they play in developing countries. According to ICSB data, formal and informal MSMEs make up over 90 per cent of all firms and account on average for 60-70 per cent of total employment and 50 per cent of GDP, on a global basis.

Here in Australia, COVID-19 has taken a heavy toll on small business. Some small businesses have closed their doors for good, unable to sustain the financial losses incurred during the pandemic. Some of these had been affected by bushfires and floods preceding the virus outbreak.

However, the spirit of small business is still alive and well and I am proud of the profession for standing by small businesses during these extremely difficult times. For IPA members, the pandemic has meant many long hours to maintain their own businesses while helping to keep small business clients going. Key government initiatives including JobKeeper and JobSeeker have been well supported throughout as a result of accountants working through the issues and challenges of access and implementation of these measures with their small business clients.

Everyone involved is to be commended as this endeavour has been paramount to the survival of many small businesses. Similar efforts, if not greater, will be required for recovery post fires, floods and pandemic.

At the time of writing we are still in the midst of the pandemic with a number of borders still closed and all of Australia hopes to avoid a second wave. However, I encourage wherever and when possible to get back into your local communities and support the many small businesses that make up those communities. Think local, think regional and think Australian small business.

If you missed the fact that 27 June was World MSME Day, put it in your calendar for next year and let us celebrate those entities that keep our economy moving forward. Let us also celebrate the contribution of small business on every other day of the year by showing our support at every opportunity.

Follow Andrew Conway
twitter.com/andrewconwayceo

Resilience sees us through another financial year

| Andrew Conway FIPA FFA |

Considering what the 2019-20 year has brought with the detrimental impact of widespread bushfires, floods and COVID-19 pandemic, I am still pleased to advise the year has finished on a brighter note

OUR MEMBER growth targets have exceeded anticipated admissions and member renewals have been more than positive.

The IPA's team conducting National Office for Overseas Skills Recognition (NOOSR) assessments has also seen revenue targets exceeded, and this is particularly pleasing considering the global pandemic.

Another major shift for the IPA during this difficult time was the establishment of increased CPD online offerings and the target for these offerings was also surpassed. This is an important milestone as the IPA committed to continue to deliver training, which helped many of our members navigate the various stimulus packages and other economic initiatives made by both federal and state and territory governments.

These achievements are worthy of celebration for all IPA members and staff. It shows how resilient and flexible the accounting profession is in times of adversity. I am very grateful for the efforts of members who have worked extremely hard to help their clients, employers and businesses with the access and implementation of the government's stimulus packages.

A further boost in our member numbers has also taken place recently, with the Association of Accounting Technicians in Australia (AAT) joining the IPA as part of the IPA Group.

The IPA has enjoyed a long association with AAT. This change will bring enhanced member benefits and support in line with global trends that demonstrate the importance of an inclusive and collaborative approach between accounting technicians and accountants, particularly in their support of the small business sector.

Significant new benefits will be offered to technician members, including a comprehensive member pathway for student members seeking a career as either an accounting technician or a public accountant.

As the year progresses, we are all learning valuable lessons, including how to build and improve resilience. For the IPA as an organisation and for each and every IPA member, it will be a critical factor in our future success.

JobKeeper 2.0 announced: Two-tiered scheme to help businesses into 2021

WITH THE current JobKeeper scheme due to end on 27 September, the government has introduced a two-tiered, scaled-down predecessor for employers that remain eligible, removing the adverse incentives created by the original scheme.

While the JobKeeper review did find that the scheme was pretty well targeted, going mostly to businesses that experienced an average decline in turnover in April of 37 per cent against the same month a year previous, there was also evidence of it stunting labour mobility and keeping non-viable businesses alive.

As such, under JobKeeper 2.0 the eligibility criteria have been significantly tweaked, with businesses required to prove they suffered an actual decline in turnover in previous quarters - June and September - before qualifying. Subsequently, to keep receiving JobKeeper into 2021, on 4 January businesses will need to reconfirm their turnover shortfall for each of the June, September and December 2020 quarters.

The government has also made notable changes to the JobKeeper payment rate, scrapping its previous flat-rate approach and introducing a two-tiered system.

90
THOUSAND
SMEs to benefit from JobTrainer
Source: government

74
THOUSAND
Online tax lodgments on 1 July
Source: ATO

6.5
THOUSAND
Applications for JobKeeper rejected to 1 July
Source: ATO

$1
BILLION
Cost of Melbourne lockdowns per week
Source: Treasury

SME loan scheme extended beyond Sept

The government has announced an extension of the Coronavirus SME Guarantee Scheme to support small and medium sized businesses by increasing their access to funding to enable them to adapt and innovate during the coronavirus crisis. Under the existing scheme, some 15,600 businesses have accepted loans worth $1.5 billion. However, given initial predictions that the scheme will deliver $40 billion to SMEs, the government has now decided to extend and expand the scheme to get more money into SME pockets.

The need of payment times legislation

Once enacted, the Payment Times Reporting Bill 2020 and Payment Times Reporting (Consequential Amendments) Bill 2020 will go a long way towards easing the load on small businesses that are struggling with cash flow issues, according to the Institute of Public Accountants (IPA). The IPA believes that this legislation will bring greater transparency by requiring businesses with over a $100 million turnover to publish their policies including payment times.

ATO receives record number of tax returns

Assistant commissioner Karen Foat noted that despite needing to process a record number of tax returns, tax refunds have begun arriving in bank accounts. "We saw the biggest 1 July ever, with ATO staff hard at work to ensure we could receive over 740,000 online lodgments on the day, ranging from income tax returns, to early release of super and JobKeeper applications. This is up from just over 100,000 online lodgments across our channels on 1 July 2019," Ms Foat said.

90,000 SMEs to benefit from new subsidy

The government has announced a $2 billion JobTrainer skills program, giving 340,000 Australians the opportunity to retrain or upskill into sectors with job opportunities, including an additional $1.5 billion to expand the apprentice and trainee wage subsidy. The Minister for Employment, Skills, Small and Family Business, Michaelia Cash, explained that the new JobTrainer initiative will offer Aussies access to short courses and full qualifications to prepare for a post-pandemic workplace.

SMEs need for more affordable childcare

The Australian Small Business and Family Enterprise Ombudsman Kate Carnell has said that for small business owners – many of whom are mothers – childcare has become unaffordable with the closure of the government's free childcare scheme, enacted to help the sector through the COVID-19 crisis. Ms Carnell warned that many young families, working in small businesses and relying on JobKeeper, may be forced out of their jobs, which is detrimental to their business, their families and even worse for the economy.

Operation Elbrus sees fourth person jailed for organised tax fraud

Devyn Hammond has become the fourth person to be sentenced for her role in a syndicate that defrauded the Commonwealth of more than $105 million over three years. Hammond has been sentenced in the Supreme Court of NSW to four years jail for her role in the syndicate, after pleading guilty to charges of conspiring to defraud the Commonwealth and conspiring to deal with proceeds of crime in excess of $1 million.

IN THE MEDIA

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

ATO PCG 2020/4

"[The Treasurer's legislative amendments] had a very narrow application of service entities; it completely missed the mark for professional firms."

Tony Greco,
Accountants Daily

Extension of JobKeeper

"I think in many ways, what we've seen through our members and through the various interactions we've had with small businesses since the pandemic has unfolded and had its impact is that it has been a fundamental game-changer in terms of the economic landscape."

Andrew Conway,
MyBusiness

ASIC's licensing ease

"It was a seismic shift in ASIC's thinking because FoFA (Future of Financial Advice) had basically locked accountants out from any financial advice, and now, all of a sudden, ASIC's resistance to getting accountants back in financial advice is being put on the backburner."

Tony Greco,
SMSF Adviser

Tax returns

The Institute of Public Accountants (IPA) has issued a caution to people planning on jumping in too early with this year's tax returns, explaining that there are a lot of new variables, such as COVID-19-related payments, to be considered.

MyBusiness

Unfair contract terms

"Small businesses should also be wary in entering contracts, ensuring they understand the terms and conditions and where necessary seek advice from their trusted adviser before signing."

Vicki Stylianou,
Public Accountant Hub

Importance of cash flow

"Cash is king at the moment and people are looking at all sorts of ways to conserve cash and PAYG is one of those, so it is very fitting."

Tony Greco,
Accountants Daily

Payment Times Reporting Bill 2020

"The IPA has been a long-time advocate of legislating payment times, given that Australia has one of the worst records for payment times to small business compared to many other countries."

Andrew Conway,
Business Acumen Magazine

COVID-19 impact

"There is a human toll to this — practitioners are working 12 to 14 hours a day."

Tony Greco,
Accountants Daily

Revenue projections

"Trying to put projections together for the month of May and June is hard in the best of times, let alone while we are operating with severe restrictions caused by COVID-19."

Tony Greco,
Accountants Daily

Back (but not) in black

The government announced it would delay its 2020-21 budget announcement until 6 October due to the coronavirus pandemic. So, what can we expect?

"WE'RE BRINGING the budget back in black!" Treasurer Josh Frydenberg proclaimed in triumph in April last year. Since running budget deficits tracing all the way back to 2008, the federal government's announcement foresaw the 2020-21 financial year as the moment when the country would finally return to surplus.

Then came the once-in-a-century type of event, the effects of which the world hasn't even begun to properly comprehend.

But one thing was definitely for sure. The government's dream of a budget surplus (with extra inspiration from rock band AC/DC) was over.

How big will the deficit be?

Before the COVID-19 pandemic hit, Treasury's Mid-Year Economic and Fiscal Outlook projections in December 2019 noted the underlying cash balance was to improve from a broad balance in 2018-19 to a surplus of $5 billion in 2019-20, or 0.3 per cent of gross domestic product.

Then came three stimulus packages announced to combat the economic hit of the COVID-19 pandemic in March, the health package also announced in March and various industry support packages on top of spending to address the impacts of the 2019-20 Black Summer bushfires.

Taking into account the expensive yet arguably necessary government stimulus, AMP Capital chief economist Shane Oliver said the negative impact on the budget is likely to be bigger next financial year (2021-22) than this financial year because unemployment will average far more next financial year (around 8.5 per cent) than this financial year (around 6.3 per cent).

"Put simply, the government's necessary fiscal support response and the hit to the budget flowing from the hit to the economy will see the budget deficit blow out to around $130 billion this year and $200 billion next financial year, before falling sharply from 2021-22, as support programs end and the economy recovers," Mr Oliver said.

"This would see the budget deficit as a share of GDP peak at around 10 per cent of GDP in 2020-21, which would be its highest since World War II."

Holes in Australia's tax system, according to PwC

- Over-reliance on personal and corporate taxes
- Inequities (particularly intergenerational)
- A reliance on unsustainable tax bases
- A misalignment between revenues and responsibilities
- A reliance on distortionary and inefficient taxes
- High compliance costs
- An inability to keep up with global business
- Tax avoidance throughout the economy

A rare opportunity for tax reform

Without meaningful reform to the tax system, a PricewaterhouseCoopers analysis noted that the deficit is here to stay for a while to come. It predicted that it could take the Australian government until 2039 before return to a budget surplus. This means an 18-year-old entering the workforce in 2020 can't expect to see another federal budget surplus until they are at least 37 years old.

Even before COVID-19, the big four accounting firm said Australia's tax system was ill-equipped to support a growing economy.

Previous attempts at fundamental tax reform have often been placed in the 'too hard basket' for federal governments both Coalition and Labor.

However, the PwC report said the economic shock of COVID-19 has given the government a 'burning platform' that might encourage policy decision-makers today to seriously challenge the status quo.

"That Australia has tried comprehensive tax reform

"THE GOVERNMENT'S NECESSARY FISCAL SUPPORT RESPONSE AND THE HIT TO THE BUDGET FLOWING FROM THE HIT TO THE ECONOMY WILL SEE THE BUDGET DEFICIT BLOW OUT TO AROUND $130 BILLION THIS YEAR AND $200 BILLION NEXT FINANCIAL YEAR"

previously and largely failed should not be a reason for not proceeding," it said.

"Governments have been given a 'pass' to do what is right in these unusual circumstances, often defying traditional stereotypes and entrenched positions.

"This opportunity to step outside convention should be used to overcome the barriers to tax reform that have existed over the past two decades."

Rather than undertake a quick 'knee-jerk' reaction as might be expected to address the immediate COVID-19 crisis at hand, PwC believed the best way forward for Australia in terms of planning comprehensive tax reform was to first stabilise the economy. It is only when this happens that there will be any capacity to consider imposing change.

"Tax reform in the middle of an economic shock will pose another level of disruption to businesses already being asked to change in so many ways, and it will risk the introduction of reforms that will need to be recalibrated once some stability returns," PwC said.

"However, this does not mean that Australia's leaders shouldn't act. Now is the time to plan for reforms as the nation emerges from the immediate crisis."

Is the deficit necessary?

If the government hadn't imposed the lockdown it did, AMP Capital's Shane Oliver said the healthcare system could have been overwhelmed, resulting in many more deaths than it has recorded as of July.

"Australia has seen four deaths per million people, but the UK and Italy have seen around 500 deaths per million and if that had occurred in Australia it would mean the deaths of around 12,500 people," he said.

Further, Mr Oliver said if the federal government, along with the RBA and state governments, had not moved to protect jobs, businesses and incomes, the prospective hit to the economy from the lockdown would be far greater, with a much slower recovery in prospect, and probably an even bigger blow out in the budget and public debt.

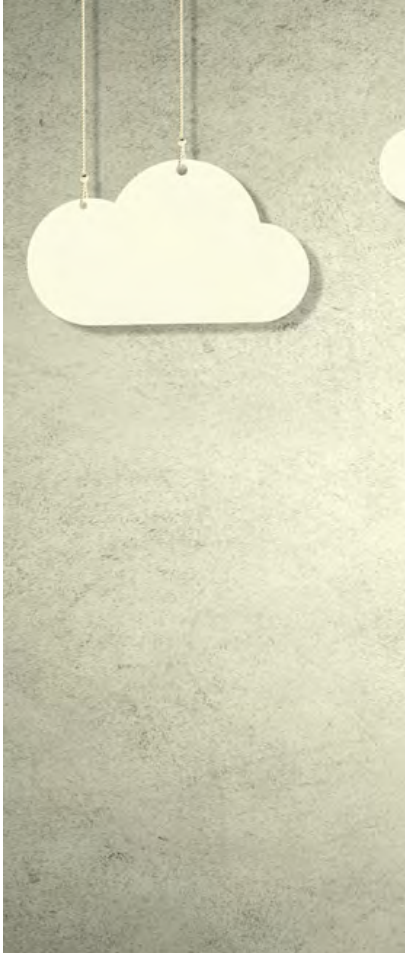
"Looked at another way, the 10 per cent or so hit to the economy this half year required a similarly sized stimulus program to offset it."

While a blow out in the budget deficit and public debt is far from ideal, Mr Oliver called it "a necessary price Australia has to pay" – first to minimise the loss of life from COVID-19 but also to minimise the hit to people's livelihoods from the shutdown.

"In terms of getting the debt back down, a temporary deficit levy would be preferable to tax hikes or the cancellation of tax cuts," Mr Oliver said.

"But I agree with the Treasurer [Josh Frydenberg] that the best approach to getting debt back down is to grow the economy aided by a reinvigorated economic reform agenda."

Adrian Flores
deputy editor, MyBusiness



Doing business in a recession

It's been almost three decades since the last recession in Australia, meaning many small business owners will have no conception of what is the best strategy in a contracting economy

UNTIL RECENTLY, two generations of people in Australia had no experience of what it feels like to live in a recession. On a similar note, two generations of small business owners in this country would have only worked in a time of economic growth, with an estimated 60 per cent of the current workforce too young to work in 1990, which was when the last recession hit.

It is understandable then that operating in a period of recession is something that will bring uncertainty to many small business owners, most of whom rely on it to keep a roof over their heads and feed their families. Understanding what happened 29 years ago may be helpful to alleviating many of those pressures and anxieties that small business owners may be currently feeling.

'A recession that Australia had to have'

Perhaps what is most remembered of the 1990s recession was the remark from former treasurer Paul Keating that it was "a recession that Australia had to have". The recession began in the September quarter of 1990 and ended in the corresponding quarter of 1991. GDP had fallen by 1.7 per cent and unemployment rose to 10.8 per cent. Victoria was the worst hit state, where employment fell by 8.5 per cent compared with 2.1 per cent in the rest of the country.

Bankruptcies were up over 30 per cent in the September quarter of 1990 compared with the same period of the previous year, accompanied by interest rates of 17 per cent. Consumer confidence had reached a record low, with school leavers at the end of 1990 advised to apply for work immediately and delay their post-school holidays.

Journalist for *The Guardian*, Greg Jericho, revealed he was a student working a casual kitchenhand job at his university boarding college. In an article he wrote in September last year – by that time a country with almost three decades of uninterrupted economic growth – he addressed a question that was pondered by the Committee for Economic Development of Australia (CEDA) at its annual State of the Nation conference in Canberra as to whether Australia needed a recession to shake it out of a growing complacency. Unsurprisingly, Mr Jericho's answer was an emphatic "Hell no".

"Recessions not only wreck the economy and lives; they utterly change society," he wrote.

"Obviously, with distance comes a blurring of memory, and perhaps a forgetting of what recession means. And you can understand why people forget – because most have no idea."

Navigating the current recession

According to GDP figures from the Australian Bureau of Statistics, Australia's economy shrank 0.3 per cent in the March quarter. Given that the shutdowns happened in the following June quarter, it guarantees that Australia will suffer its first recession in 29 years.

So what does that mean for the many current small business owners doing it tough? If Greg Jericho's reflections on the 1990s recession are anything to go by, the goal for small businesses is very simple – survival.

As for their most pressing concerns, it's simply down to the fundamentals. Profitability, managing cash flow and growing the customer base were the biggest concerns over the next 12 months, according to a survey of nearly 500 Aussie small business operators from small business debt collectors Prushka Fast Debt Recovery. Its chief executive Roger Mendelson urged SMEs to prepare to continue operating in an uncertain environment for some time.

"Now more than ever, businesses should be focused on best and worst-case scenario planning, to ensure they have a framework in place that allows their business to operate no matter the circumstances," he said.

However, big four accounting firm Deloitte conceded it is an unfortunate reality of the COVID-19 crisis that not every small business would recover. On the other hand, it noted that a common characteristic of those that do will be their ability and desire to take charge of their business' future.

However, it warned that this will not be a typical recovery, with COVID-19 unlikely to end suddenly, given the evolving

"BUSINESSES SHOULD ALSO PLAN FOR THE POSSIBILITY OF MULTIPLE WAVES OF THE PANDEMIC AND ITS CONTINUING GLOBAL - AND UNEVEN - FOOTPRINT"

nature of the virus and the uncertain prospects and timing of a vaccine. In such an environment, businesses must plan for multiple scenarios and time horizons, as they shift from crisis response to recovery.

"Businesses should also plan for the possibility of multiple waves of the pandemic and its continuing global — and uneven — footprint," Deloitte said. "Business owners need to establish critical priorities for the next 12 to 24 months as they position for new realities."

Adrian Flores
deputy editor, MyBusiness

An economic recovery framework for SMEs

1. Understanding your customers' needs
How have expectations changed, and how do you communicate?

2. Getting your cash flow in order
Understanding the current health of your business, to prepare for the 'new normal.'

3. Re-organising your supply chain
How to evaluate your supply landscape, understand how it has changed and forecast your future needs.

4. Rethinking your workforce
How do impacts from the crisis impact on the capacity, capability and affordability of your workforce?

5. Digitally enabling your business
How business can make use of digital tools and assets to increase its growth.

6. What's changed for your workplace?
How does COVID impact your approach to managing physical and virtual workplaces, and address risk and compliance?

Where's the cash?

Everybody wants better cash flow. Even the most profitable businesses run short of cash at times, especially seasonal businesses or those that are growing quickly. And many growing and profitable businesses have failed because there simply wasn't enough cash to pay the bills. Assuring the cash will be there when you need it takes time, good management and an understanding of how much working capital (cash flow) your growing business requires

START BY reviewing financial statements – the profit and loss and the balance sheet – and look for things like sales growth, profit, asset growth and changes in current assets, current liabilities, inventory levels, equipment and total liabilities. Then have a serious look at the business ratios that measure the drivers of cash flow, including inventory turn days and accounts receivable collection days.

Assess the metrics in relation to other companies like yours or compared with your own best performance in a prior year. A business that underperforms at managing these things, or that shows low liquidity as compared with its peers, should establish goals and action plans to improve cash flow.

Still, answering the question 'Where is the cash?' can be a mystery for many statement readers. As the accrual basis of accounting provides the most accurate picture of profitability, most businesses use it to produce their financial statements. Unfortunately, it does not provide a clear picture of cash flow.

The balance sheet also falls short – while it holds the clues, it only shows a snapshot of the bank balance at the end of the period without detailing the movement of cash throughout the period under review.

The statement of sources and application of funds unlocks the clues by measuring cash in and/or cash out through these functional areas of the business:

- **Operating** – revenue, expenses, inventory, accounts receivable, accounts payable and short-term financing (like credit lines or credit cards);
- **Investing** – inventory purchases, facility expansion or other long-term investments; and
- **Financing** – new borrowing and repaying existing debt.

Every business needs a regular statement of cash flow because it clearly identifies the differences between profit and cash, and shows the impact all business activities have on cash.

The income statement shows all revenues, expenses and the "bottom line" difference between the two, net profit. Many things other than expenses consume cash, and businesses receive money for things other than revenue. The sources and application of funds statement will recognise these categories. The statement shows the beginning balance of cash and then details the amount provided by or consumed by operating, investing and financing activities of the business, to arrive at the ending balance of cash. This is how the statement answers the question 'Where is the cash?'

A monthly cash budget is constructed by forecasting (estimating) these same things. For most companies, a complete cash budget accounts for predicted inventory purchases, borrowing, debt repayments and distributions to owners because these items are not included in the income statement budget. In addition, companies

"WITH BUDGETS FOR BOTH PROFIT AND CASH, YOU ARE ARMED WITH TWO POWERFUL TOOLS FOR PLANNING AND CONTROL THAT NO BUSINESS SHOULD BE WITHOUT"

carrying significant accounts receivable must account for a lag between the time when revenues are earned and collected (accounts receivable collection assumptions).

With budgets for both profit and cash, you are armed with two powerful tools for planning and control that no business should be without.

To summarise, these disciplines can help you understand and predict your cash flow needs, assuring you'll have the funds available when you need them.

- Review financial statements and cash flow ratios regularly;
- Prepare a monthly income statement budget that accounts for seasonality to serve as your profit plan;
- Prepare a monthly cash budget that accounts for all cash in and cash out to predict your borrowing needs and possible cash shortages; and
- Use the cash budget and profit plan to negotiate for financing well in advance of the time you'll need the funds.

Tips for improving your cash flow

- Review financial statements each month, including the statement of cash flow, to gain an intuitive sense of how decisions and business conditions impact both profit and cash;
- Prepare a cash budget for the coming year to predict possible cash shortages. Use it to determine the minimum line of credit that you will need to negotiate with your lender;
- Budget for inventory and other equipment purchases. These do not appear on your profit and loss statement and are typically not part of a budget for revenue and expenses. Plan in advance to finance purchases of long-term assets so you retain cash. The best time to ask for money is before you need it;
- Use your credit line for working capital. If you are routinely at the top of your limit discuss refinancing options with your lender;
- Monitor trade supplier balances and maintain accounts within their terms;
- Minimise your cost of carrying receivables by taking credit cards in lieu of offering in-house accounts to customers;
  - Make it easy for customers to pay by offering a range of payment options.
  - Be clear about who you grant credit to and what terms you offer.
  - Make use of credit checks and establish a service history before you grant credit.
  - Issue invoices regularly instead of waiting until statements go out at month end.
  - Know what it takes to get a bill paid and who to call if there is a problem.
  - Establish a routine for follow up of past due accounts and stick to it.
- Control your investment in retail inventory to reduce the amount of cash tied up;
- Review your retail inventory holdings and target old inventory for quick sale;
- Review sales and inventory levels regularly. Schedule ordering to coincide with demand to avoid tying up cash in merchandise;
- Make sure inventory control and buying practices are communicated, understood and followed by staff. Consider how to improve procedures to improve inventory efficiency; and
- Establish a calendar for expanding your business. Detail milestones for adding equipment lines, staff or locations. Estimate the funds needed and investigate financing options well in advance of the targeted expansion.

Stuart Donaldson
business educator

When is a casual not a casual?

In a decision that will add to the pressure businesses are facing due to the COVID-19 pandemic, the Full Federal Court has ruled that an employee incorrectly classified as a casual by their employer is entitled to both leave entitlements and the casual loading already paid to them (*WorkPac Pty Ltd v Rossato* [2020] FCAFC 84)

Vanessa Andersen
partner, Maddocks

Ross Jackson
partner, Maddocks

Brigid Clark
senior associate, Maddocks

EMPLOYERS WHO have incorrectly classified permanent employees as casual and for whom leave entitlements are owed, will not be able to "set-off" the value of casual loading paid to those employees against leave entitlements.

The decision upholds the 2018 ruling in *WorkPac v Skene* and has reignited concerns over some employees "double-dipping".

The decision represents the unequivocal triumph of the common law definition of casual employment, where every engagement is a separate contract without any future promise of work, over the "industrial" definition of casual employment, as an employee who is engaged and paid as such.

Application by WorkPac

Mr Rossato, a coal miner, was employed by WorkPac, a labour hire firm, for approximately three and a half years. During his employment, Mr Rossato entered into six consecutive contracts of employment, all of which stated that he was engaged on a casual basis. Each of the contracts provided for a 25 per cent casual loading as a part of Mr Rossato's wage.

WorkPac commenced proceedings in the Federal Court seeking:

- a declaration that Mr Rossato was a casual employee and not entitled to paid annual leave, personal/carer's leave, compassionate leave and public holiday pay under the *Fair Work Act 2009* (Cth) or the applicable enterprise agreement; and
- if the Court found that Mr Rossato was not a casual employee, that the casual loading already paid to him would be 'set-off' against any entitlement Mr Rossato would otherwise have to paid leave entitlements.

Was the employee truly a casual?

The Court found that Mr Rossato's work under each of the contracts was "regular, certain, continuing, constant and predictable", and that he should be properly classified as a permanent employee. As a result, the Court found that he was entitled to paid leave as a permanent employee.

Could WorkPac set-off the amount of the casual loading already paid?

WorkPac submitted that the amount of the casual loading paid to the employee should be deducted from any amount awarded to him in respect of unpaid leave entitlements. This was on the basis that casual loading payments were made in lieu of the entitlements Mr Rossato would have been owed as a permanent employee. In the alternative, WorkPac argued that it should be repaid the value of the casual loadings as the loadings were paid on the mistaken belief that Mr Rossato's employment was casual (Restitution). WorkPac was unsuccessful in both of these arguments.

Set-off argument

WorkPac argued that it was entitled to a set-off under general law and under the Fair Work Regulations.

The Court held that the casual loadings did not have

a "close correlation" to the various leave entitlements claimed by Mr Rossato. Justice White, supported by Justices Bromberg and Wheelahan, explained that while paid leave is "a service related entitlement", casual loadings are a "payment for an hour worked" and "designated as the remuneration for the services provided", and therefore have a "different purpose" to paid leave entitlements. This was further supported by the limitations under the *Fair Work Act* on permanent employees "cashing out" their accrued leave entitlements.

The Fair Work Regulations provide for an employer to set-off an amount paid in casual loadings against any claim for an amount "in lieu" of paid leave or any other entitlements under the National Employment Standards (NES). The Court held that Mr Rossato was not seeking an amount "in lieu" of his NES entitlements, but an amount "for" his entitlements. As such, the Court held that the regulations did not apply.

Restitution argument

WorkPac argued that it was entitled to restitution of the casual loading paid to Mr Rossato on the basis that the payments were only made on the mistaken belief that he was a casual employee.

The Court found that the mistake made by WorkPac was to incorrectly frame the employment it offered Mr Rossato as "casual". By paying Mr Rossato a wage inclusive of a loading, WorkPac was simply abiding by its obligations to pay Mr Rossato in accordance with the employment contracts, which stipulated that Mr Rossato was entitled to the loading. The Court held that such a mistake could not be remedied by restitution.

Government intervention?

The government has flagged potential legislative intervention to prevent "double-dipping" by employees previously classified as casuals so that they do not receive both a casual loading and leave entitlements for the same period.

Implications for employers

Unless the government intervenes and pending any appeal to the High Court, it is expected the case will result in class actions and individual claims.

Importantly, an employee will still need to successfully argue that they are not a casual employee in order to access entitlements to paid annual and personal leave.

The problem is that while there is a well-established concept of a "regular" and "systematic" casual employee, the boundaries between what is truly "casual" and what is "permanent" employment continue to be confusing for employers and employees.

If you have long-term casuals who work the same shifts or roster week to week and have a soundly-based expectation of ongoing employment, there is a real risk that they could be held to be permanent employees and entitled to accrue the entitlements of permanent employees, including to be paid for accrued annual leave on the termination of their employment.

Of course, the easy answer when engaging workers on a regular and systematic basis with an expectation of future and indefinite work is to classify them as permanent part-time employees, not casuals. The employee will then not receive a casual loading but they will be entitled to leave and other benefits. But this is a line readily drawn in theory, less so in practice.

Since October 2018, casual conversion clauses have been inserted in many modern awards, which provide that eligible casuals may request permanent part-time or full-time employment. Employers must provide all casual employees covered by awards that contain casual conversion provisions information about the right to request conversion within the first 12 months of an employee's engagement as a casual.

What should employers do?

The approach taken by the Court in this case to avoid the application of the antidouble dipping regulations already in place is interesting, to say the least - drawing a distinction between a claim for a benefit (which is now convertible to cash) and a claim for a payment in lieu of that benefit is not readily discernible.

It is also possible that WorkPac will appeal the decision to the High Court.

In the meantime, as employers, you should consider conducting a review of casual employment arrangements and your business needs and practices to ascertain both your potential liability for past arrangements, and what forms of engagement mitigate that risk in future whilst still meeting your business needs:

- If your business relies on the flexibility of a casual workforce, are you creating unnecessarily regular patterns of work for casual employees which erode your ability to assert that those employees are truly casual? Can you make clear that every engagement is to be considered separate and distinct, and that no engagement is to be taken as a representation that another will be offered?
- Are some of your casual employees actually permanent part-time employees, or have become so, as a result of regular, constant and predictable patterns of work?
- Are your casual employees covered by a modern award that contains a casual conversion clause?
- Consider reviewing your written arrangements with casual employees. Express any casual loading as a separate and identifiable amount in letters of appointment or contracts and that it is paid instead of entitlements provided to permanent employees. This quantification may assist if the government intervenes to allow an employer to set-off those amounts in the event that the casual employee is later found to have been misclassified.

Knowing knowledge?

In a fully connected world, what does knowledge mean? The global public has access to seemingly all the information that one might desire to know. In a matter of a couple of seconds, a question, thought, or idea can take life and become real and concrete thanks to the technological era's increased availability of information

| by Dr Ayman El Tarabishy, president and CEO, ICSB |

HOWEVER, DESPITE these possibilities, understanding and information are somehow disconnected from each other. There seems to be only a select few who can decipher data in a way that presents that data to the general public. Yet still, that translation often does not reach the general public or even the practitioners and professionals that might use it. So, we might take a few steps back and ask ourselves, first, what is knowledge? Knowledge is the absolute, indisputable truth that is often provided in the form of information or indicated intuitively.

Knowledge is grander than memorisation or recollection because it involves a processing phase, one in which an individual or group absorbs specific information in a manner that allows them to understand or learn such information.

Upon defining the concept of knowledge. We might return to our first question and ask, "What does knowledge mean?" and further, "What does knowledge mean in an ever-changing world?" An ageless discussion, knowledge is sometimes pursued as an individual understanding in and of itself, yet more often, knowledge is sought as a means to an end.

As a vessel of transportation, knowledge is often necessitated throughout and within the search for solutions. However, in a world where problems are vast and solutions sporadic, a conversation on the obtention and usage of knowledge might be necessary.

Knowledge is absolute; yet, the vast connectedness of our world often makes it difficult to transmit this importance. Our system demands some sort of network for the spread and sharing of knowledge so that our interconnectedness and subsequent delivery of knowledge will not be corrupted by political sway nor by personal beliefs. The world has a great need for reliable data and clear information so that we can create solutions. This need will not be met in a singular location nor come from an exclusive mindset.

Aside from researchers, most lay folks receive their information from the media. An often skewed and relative structure, media does not usually challenge its engagers to discuss nor evaluate the information presented. This seems to be another significant missing step in the process of obtaining information and drawing the knowledge from that information.

Therefore, there must be a more substantial network that allows individuals, or better pre-existing organisations, who wish to seek and assist in the dissemination of knowledge, to connect with and be supported by each other.

The International Council for Small Business launches a knowledge network!

It was off of this basis that the International Council for Small Business (ICSB) from the idea of the immediate past president, Ahmed Osman, launched its Knowledge Hubs, or KHubs, network. Operating in collaboration, these KHubs work to promote entrepreneurial knowledge missions across the globe. With ICSB functioning as the platform of these centres (KHubs), they will work to connect and uplift the voices of those who seek real and applicable knowledge.

The KHub structure works similarly to a membership role in that organisations from around the world subscribe to ICSB in the form of KHub members and are thereby given the benefits of individual members and receive support as an organisation at large.

This bolstering relationship not only connects KHubs to other ICSB members and organisations; however, it also provides the KHubs with a platform from which to operate and with support from the ICSB senior leadership. Therefore, organisations that are interested in encouraging a culture of entrepreneurship and the stimulation of small businesses are now capable of developing their organisation and their reach even further. Portrayed in the form of monthly access to collaborative mentoring, ICSB leadership helps and supports KHubs, provides critical reviews of how an organisation can advance in its vision, and better supports their organisation's participants.

"KNOWLEDGE IS GRANDER THAN MEMORISATION OR RECOLLECTION BECAUSE IT INVOLVES A PROCESSING PHASE, ONE IN WHICH AN INDIVIDUAL OR GROUP ABSORBS SPECIFIC INFORMATION IN A MANNER THAT ALLOWS THEM TO UNDERSTAND OR LEARN SUCH INFORMATION"

This concept portrays the ideals of frugal innovation, which look at a solution as the product of creatively captivating and utilising pre-existing resources. Frugal innovation is not just a method, nor a set of principles, but more so a metaparadigm, which is an entirely new way of thinking about innovation and value creation. As its main point looks to "do better with less", frugal innovation guides one towards two essential truths: it is necessary to focus on creating more value and to minimise scarce resources while maximising intangible ones. Our question, then, develops to how can we optimise the delivery of value, while using all the available tangible and intangible resources?

There are six fundamental principles of frugal innovation. Those being to engage and iterate, to flex your existing resources, to co-create regenerative solutions, to shape customer behaviour, to co-create value with 'prosumers', and to hyper-collaborate with atypical partners. In recognising these strategies, we can more definitively comprehend the importance of value-based businesses in the realm of SMEs.

If KHubs are the solution to connecting individuals and organisations to real knowledge, then the International Council for Small Business has well used the principles of frugal innovation to work to fill the void in the entrepreneurial understanding of knowledge.

To what end? KHubs to promote micro, small, and medium-sized enterprises

The structure and network of KHubs seem to be a robust solution, yet if and only if the hubs are connected through a common purpose. Micro, small, and medium-sized enterprises (MSMEs) are determined to be the most important economic and social units operating throughout the world. Therefore, ICSB's KHubs are correctly connected around the focus of uplifting MSMEs. These smaller units require support. This can not only come in the form of passive stimulus packages and good intentions. MSMEs deserve a seat at the table, an opening address, and their share of power in decision-making processes. For that reason, specifically, the United Nations MSME Day was created and 27 June was set

out to be a day to celebrate and honour the successes of MSMEs around the world. They are the enterprises that employ, care for, and support the greater public all year round. They deserve more than one day, yet from MSME Day and with mutual support, a great deal of attention can be generated for MSMEs.

In light of the challenges faced by MSMEs worldwide and conjoined with the global pandemic, one can observe the need for inter- and intra-relationship between organisations pursuing the ideals of entrepreneurship. Following the most recent MSME Day celebration (2020), the UN summarised:

"The economic recession, originating from the COVID-19 pandemic, has taken a heavy toll on MSMEs, including closures, cash flow pressure, erosion of working capital, interrupting supply chains, loss of production, incomes, and customers. The pandemic exposed and deepened pre-crisis fragilities in the MSME sector. However, it also underscored the need for a coherent and holistic policy response to build a resilient MSME sector. It also provided an unprecedented opportunity to emerge with a better set of policies and measures for MSME promotion than those which existed before the pandemic."

In this time of crisis, the most critical solution will be found when we can move away from a place of fear, which clouds our ability to see from other perspectives and shift to a place of calmness and diversity. By networking around knowledge, we will be able to see more clearly the answers found within and in front of us. Reaching out to those who are different from us during moments of panic, can bring us new and creative perspectives, which will break our own routine mistakes. Being aware of our inherent need to do something familiar can signal us that this is a moment to try something radically different. On the other side of stress and fear, we can find ourselves in a place to be entirely open to anything and everything at the moment. The goal is to stop thinking about after COVID and think about right now. It is time to begin developing frugally, and maybe later, we will be able to bolden the frugal strategy made possible only by this crisis.

KHubs provide ICSB and other organisations with similar missions a solution to the world's typical fragmentation and cohesiveness. In the desire to bolster the work of MSMEs, we notice a missing piece, which is replaced by the network forged by the ICSB KHubs. A better future based on solutions through interconnected pathways of knowledge awaits us, are you ready to join?

ICSB welcomes IPA as its newest KHub!

Dr Ayman El Tarabishy
president and CEO, ICSB

Did you know?

- 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world.
- In emerging markets, most formal jobs are generated by SMEs, which create seven out of 10 jobs.
- Increasing annual investments in small and medium-sized enterprises by $1 trillion would yield disproportionate dividends in terms of progress towards the sustainable development goals.

Celebrating courage and perseverance: MSME Day 2020

Thursday, 27 June is World MSME Day, celebrating the existence of millions of micro and small to medium enterprises around the world

THIS YEAR, the Institute of Public Accountants (IPA) is acknowledging all hardworking Aussie MSMEs, that have had to overcome seemingly insurmountable challenges - starting with the unprecedented bushfires and culminating in the coronavirus crisis.

On World MSME Day 2020, the IPA called on the community to support their local small businesses.

"The IPA is urging people to support their local small businesses by buying their products or services as a reboot to Australia's economy during this COVID-19 pandemic," said IPA chief executive Andrew Conway.

"The COVID-19 pandemic has affected all of us and the way we live. Small business is doing it tough and for those businesses affected by the 2019-20 bushfires, followed by this pandemic, the toll has been devastating."

ICSB data indicates that MSMEs make up over 90 per cent of all firms and account on average for 70 per cent of total employment and 50 per cent of GDP, on a global basis.

"Please let your local small business know how much they are appreciated for their ongoing contribution to our nation's economic wellbeing," said Mr Conway.

On the fourth MSME Day, marked in June this year, the UN too acknowledged the turmoil overwhelming businesses across the world.

"Small businesses, including those run by women and young entrepreneurs, are being hit hardest by the economic fallout of the pandemic," a spokesperson for the UN said.

"Unprecedented lockdown measures enacted to contain the spread of the coronavirus have resulted in supply chain disruptions and a massive drop in demand in most sectors.

"To continue playing their crucial role in creating decent jobs and improving livelihoods, small businesses depend more than ever on an enabling business environment, including support for access to finance, information, and markets," the UN stressed.

United, the IPA and the UN asked everyone not to forget that small businesses truly are the backbone of most economies worldwide and play a key role in developing countries.

Follow Wayne Debernardi
twitter.com/debernardiwayne

Ethics – a touch of history for every day thinking

| by Wayne Debernardi |

THE RENOWNED Greek philosopher Socrates (c. 470 – 399 BC) has been accredited as being the first moral philosopher of the Western ethical tradition of thought and many have dubbed him as the Father of Ethics. Some may argue that it was Plato, who started the Academy, or Aristotle, but as Socrates taught Plato and in turn Plato taught Aristotle, let's just say for arguments sake, we stick with Socrates (and by the way, Prodikos taught Socrates).

In the Eastern world and before Socrates' time there was Kõng Qiũ (551 – 479 BC), a Chinese philosopher and politician of the Spring and Autumn period (first half of the Zhou Dynasty). Kõng Qiũ, better known as Confucius, had a philosophy (aka Confucianism) that emphasised personal and governmental morality, correctness of social relationships, justice, kindness, and sincerity. He espoused the well-known principle, referred to as the Golden Rule, "Do not do unto others what you do not want done to yourself".

About half a millennium later, Jesus is quoted in the Bible espousing the same rule, which has been translated in most religions in one way or another with the common English phrasing of 'Do unto others as you would have them do unto you'. The Golden Rule maxim in some religions is considered as an ethic of reciprocity. It would certainly seem that this ideology has stood the test of time.

It is one example of what may constitute moral or ethical behaviour. There are numerous definitions of ethics. One definition purports that ethics or moral philosophy is a branch of philosophy that 'involves systematising, defending, and recommending concepts of right and wrong behaviour.' The field of ethics, along with aesthetics, concerns matters of value, and thus comprises the branch of philosophy called axiology. Some branches of ethics seek to resolve questions of human morality by defining concepts such as good and evil, right and wrong, virtue and vice, justice and crime, whilst other branches of ethics contend that it is about making a judgement where there is no right or wrong.

The Ethics Centre of Australia refers to ethics as the best option that best achieves what is good, right and consistent with the nature of things in question. Ethics is the process of questioning, discovering and defending our values, principles and purpose. The Ethics Centre expands on this in the following way:

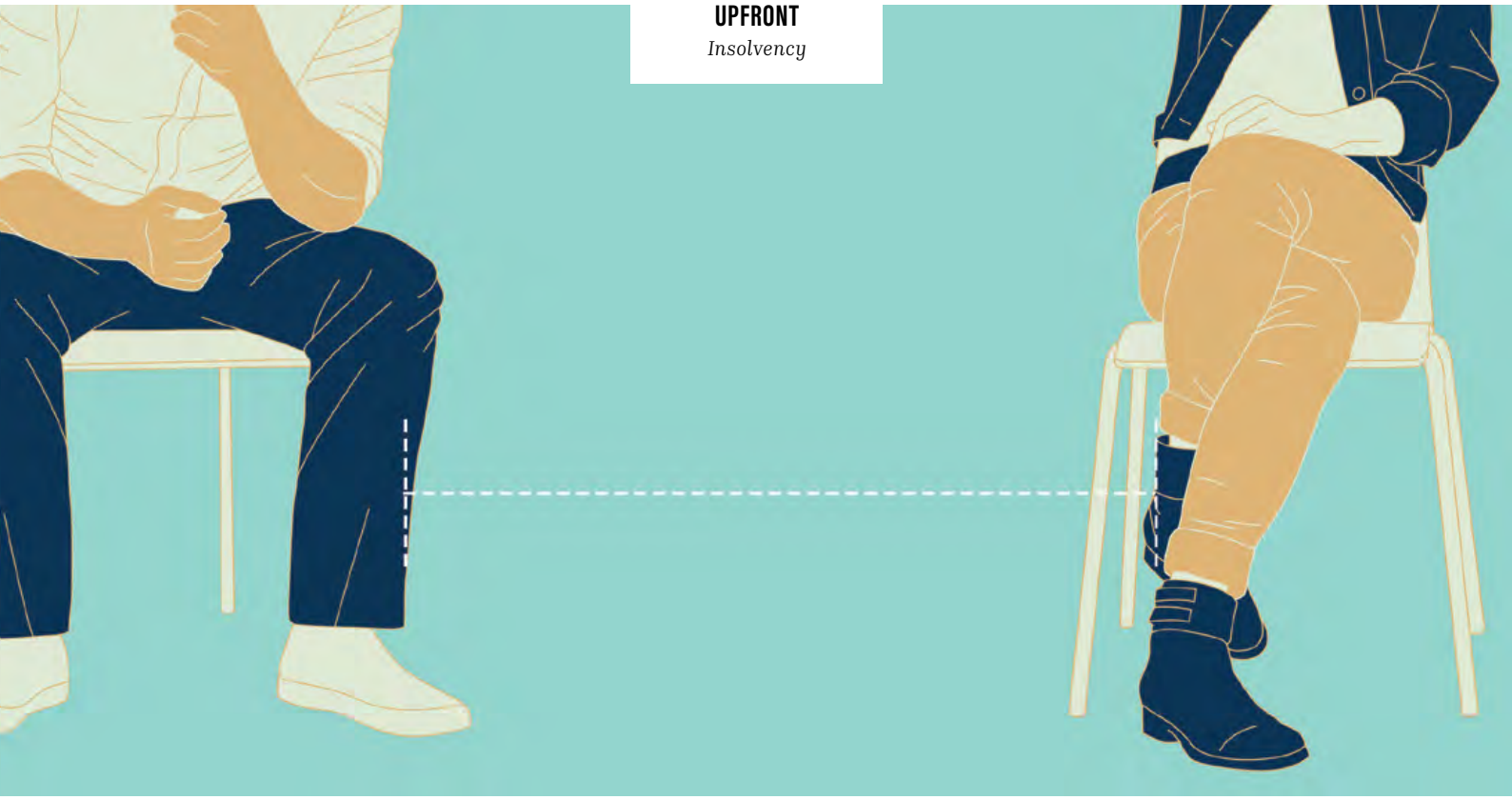
- Values tell us what's good – they're the things we strive for, desire and seek to protect.
- Principles tell us what's right – outlining how we may or may not achieve our values.
- Purpose is your reason for being – it gives life to your values and principles.

Ultimately, I think it is about doing the right thing by others and yourself. Accountants live this every day in serving the best interests of clients. Ethics goes hand in hand with professionalism. For the accounting profession at large, ethics and professionalism form the core fabric that holds the profession together. For example, the Institute of Public Accountants advocates in the best interests of its members, but it must do so with due consideration of what is in the best interests of the public.

This is congruent with the IPA's membership of the International Federation of Accountants (IFAC) and the Accounting Professional and Ethical Standards Board (APESB) and the APES110 Code of Ethics. It also carries weight for the rationale for the IPA quality assurance and compliance programs in pursuit of excellence within its membership base. Maintaining such high professional and ethical standards is not only a requirement of IFAC, APESB and the Professional Standards Councils, it is critical to retaining our standing in the *Corporations Act 2001*. All of this forms the essential ingredients for accountants to continue to hold recognition as trusted advisers.

I believe we all want to live up to our values and principles, or at least I do, but I don't think I can match that of the Father of Ethics, Socrates. In 399 BC, Socrates had a clear ethical dilemma. He had the choice of fleeing Greece or being executed. He stood by his principles and chose the latter and died of hemlock poisoning.

Wayne Debernardi
general manager, media and strategic communications, IPA



How to create additional financial breathing space?

In 2020, not all businesses that started the year were in prime financial health. For these businesses, together with the many others that have since been negatively impacted, COVID-19 is going to be one of the greatest challenges ever faced

THOSE THAT had profitable underlying cores may be able to emerge post-pandemic but will be significantly burdened by debt resulting from hibernation costs or debts incurred prior to 2020. Those that were not profitable prior to COVID-19 will be placed in an even more difficult position with spiralling debts that, due to a loss of recent revenue streams, may be unable to be repaid.

The Australian government, understanding the cataclysmic impact COVID-19 would have on business, in March 2020 introduced a number of temporary reforms to assist in keeping many companies from going under. While these included the JobKeeper and JobSeeker stimulus packages, there were also a number of specific insolvency law reprieves, such as:

- Debt threshold for creditors to issue a statutory demand against a debtor increased from $2,000 to $20,000;
- Time frame for a debtor to respond to a statutory demand increased from 21 days to six months before a creditor can commence winding up proceedings; and
- Directors will have temporary relief from personal liability under the insolvent trading provisions for debts incurred in the ordinary course of business during the six-month 'relief' period.

These stimulus measures and temporary protections are due to cease at the end of September 2020, and are part of the reason why commentators are now referring to September being the economic cliff.

For directors, particular attention should be placed upon the reinstatement of insolvent trading liability where their companies have become insolvent during COVID-19, because, with the removal of the above protections, they are due to face personal liability for trading whilst insolvent. Accordingly, accountants should be proactively reviewing their client affairs to identify those which may not recover on their own and may require assistance.

For some, a company liquidation may be required where the company is no longer in a position to survive. However, those companies that have profitable cores but which

are overburdened by debt may be suitable candidates for a deed of company arrangement (DOCA) process, which provides a significant degree of flexibility to compromise (reduce) debt or initiate standstill arrangements.

The voluntary administration process

A DOCA is implemented through entry into voluntary administration. Where there is an opportunity for a business to survive insolvency, voluntary administration provides the framework for this to occur. It is of note that a company may only appoint an administrator where its director(s) is of the opinion that the company is, or is likely to become, insolvent at some future time. In the current economic environment, this is unfortunately a relatively easy threshold to meet.

Upon commencement of a voluntary administration process control of the company passes from the director(s) to the administrators. Notwithstanding, there remains a role to be played by the director(s) and other relevant stakeholders (including shareholders and secured creditors) in shaping the administration outcome through proposing and supporting a DOCA.

The voluntary administration process usually takes approximately five weeks and concludes with a meeting of the company's creditors at which the future of the company is decided. This meeting is convened by the administrator after reporting to the creditors on their investigations into the company's affairs and presenting them with any DOCA proposal that is being made. The administrator is required to make an independent recommendation about whether creditors should agree to the DOCA proposal (if any) or resolve to place the company into liquidation.

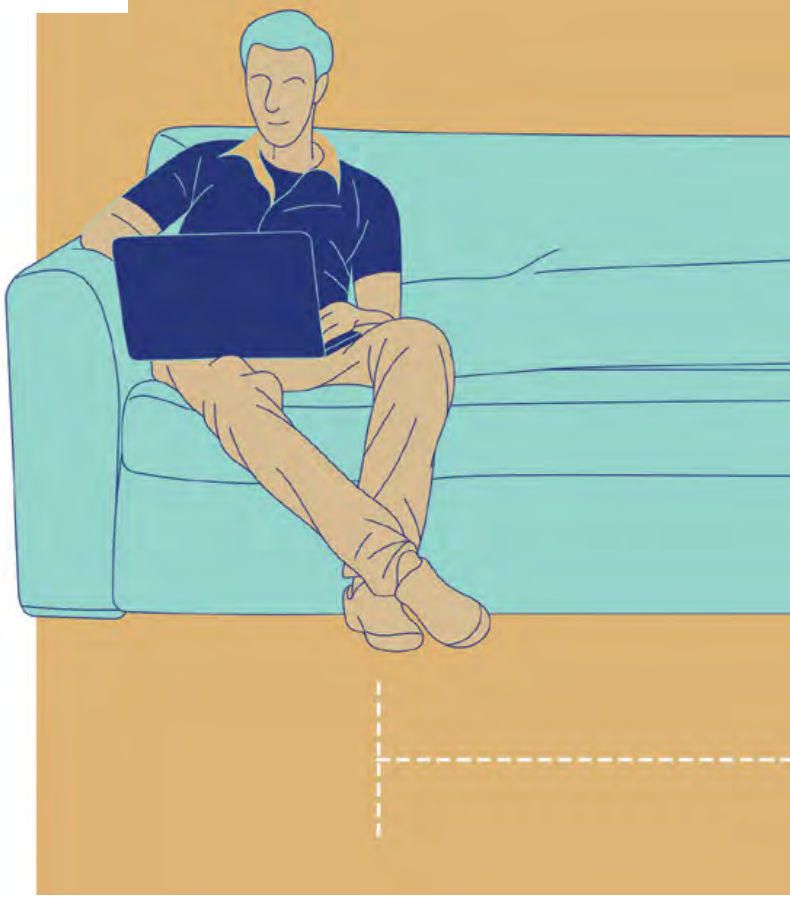
How do DOCAs work?

The DOCA is a creation of the *Corporations Act* that binds all of a company's creditors to the terms of the proposal which are enshrined within the deed document. Importantly, it binds all unsecured creditors, even if they voted against the proposal.

The parties to the DOCA are usually the director(s) (as they are generally the proponent of the DOCA), the company, the administrators, unsecured creditors and, in some circumstances, secured creditors.

The *Corporations Act* imposes very few restrictions upon what must be contained within a DOCA that has resulted in it being a flexible tool that can be customised to deliver unique solutions to address a company's particular financial or commercial circumstances. However, at a minimum, a DOCA must include:

- the name of the DOCA administrator;
- details of the property to be available to pay creditors;
- the nature and term of any moratorium (moratoriums prevent creditors from taking certain activities for a set length of time, such as commencing legal proceedings or taking possession of company property);
- details on how and when the DOCA will terminate;
- the extent to which the company will be released from its debts;
- details of the claims which led to the DOCA; and
- the order in which any funds are to be distributed.

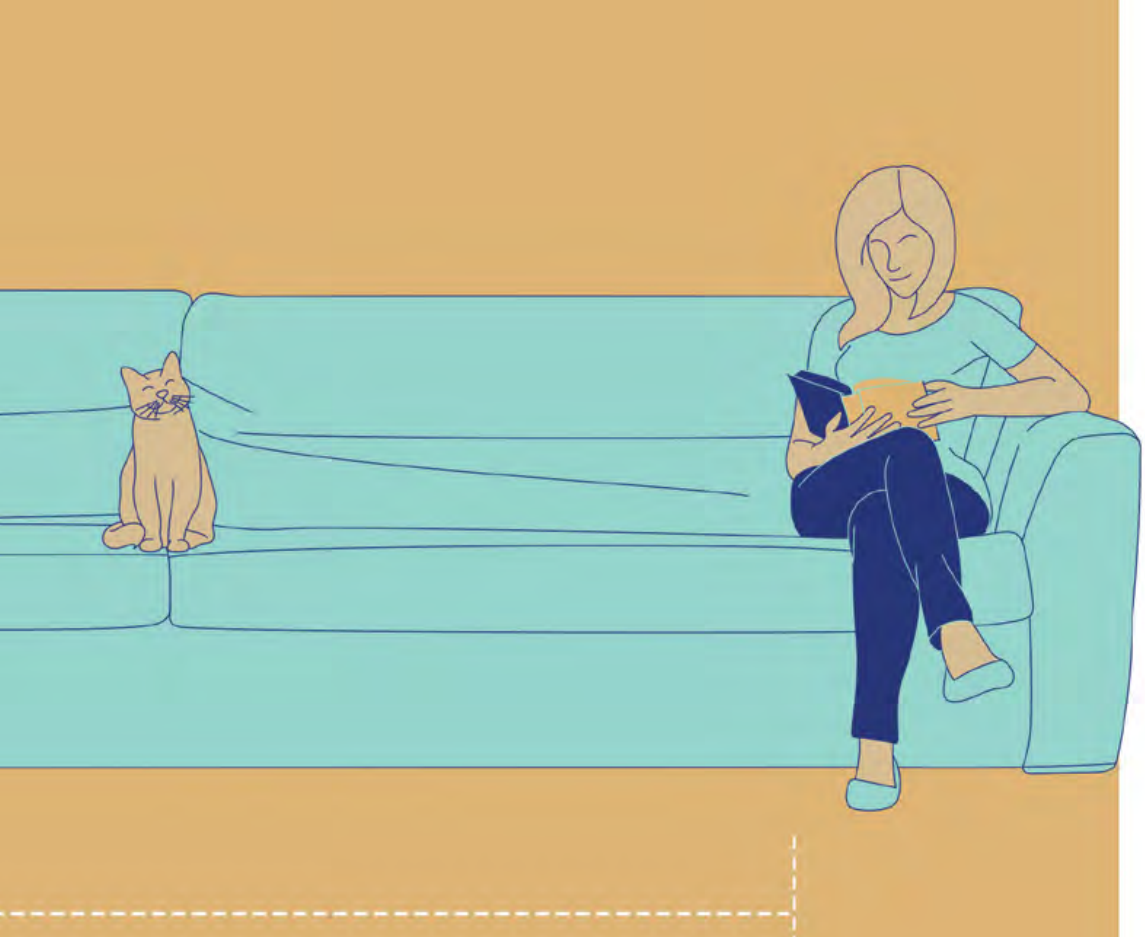


At the heart of any DOCA, unsecured creditors are normally required to compromise their debts to receive a 'cents in the dollar' return to enable the floundering company to return to profitability. The contribution to the deed to enable this return typically comes from a stakeholder or from the sale of company's business (or assets).

However, depending on the needs of the company and given the flexibility provided to them by the *Corporations Act*, they can also include standstill arrangements pending a further DOCA proposal being made, known as a 'holding DOCA'.

Holding DOCAs

Where additional time is needed by a voluntary administrator to maximise the chance of a company's survival or otherwise provide a better return to creditors than would result from its immediate liquidation, a holding DOCA can be considered. This unique type of DOCA is structured not to provide for a 'cents in the dollar' return but rather provide for an extension of the statutory moratorium on creditor claims that would otherwise cease upon the ending of the voluntary administration period.



"AT THE HEART OF ANY DOCA, UNSECURED CREDITORS ARE NORMALLY REQUIRED TO COMPROMISE THEIR DEBTS TO RECEIVE A 'CENTS IN THE DOLLAR' RETURN TO ENABLE THE FLOUNDERING COMPANY TO RETURN TO PROFITABILITY"

As previously stated, the administrator is required to provide creditors with their recommendation on whether to accept or decline any DOCA proposal. Where a holding DOCA is being proposed, the administrator is required to make an assessment as to potential future value of the company assets in order to demonstrate that by extending the moratorium a better return to creditors would be achieved.

Given the uncertainty associated with the economic impact of COVID-19, an administrator appointed in the current market may have difficulty undertaking the detailed assessment required of the likely future value of company assets. The ability to demonstrate that the assets will be of more value as a result of an ongoing administration through the entry into a holding DOCA, or at least maintain their value such that the creditors are not worse off, will be important.

While this holding DOCA is in place, the deed administrator and relevant stakeholders of the insolvent company are granted additional breathing space to formulate a more permanent restructure plan.

Once a restructure plan has been created, the business environment stabilised and a way forward developed, then a meeting of the deed's creditors will be called to vote upon the proposal put to them or otherwise place the company into liquidation.

In order to respond to the economic challenges arising from COVID-19, a holding DOCA can represent a viable option worthy of consideration for companies that:

- are or will likely become insolvent because of COVID-19;
- do not presently have capital to contribute;
- are unable, in the current market, to sell the underlying business; but
- whose outlook will be significantly improved by extending the time for which a restructure plan can be implemented.

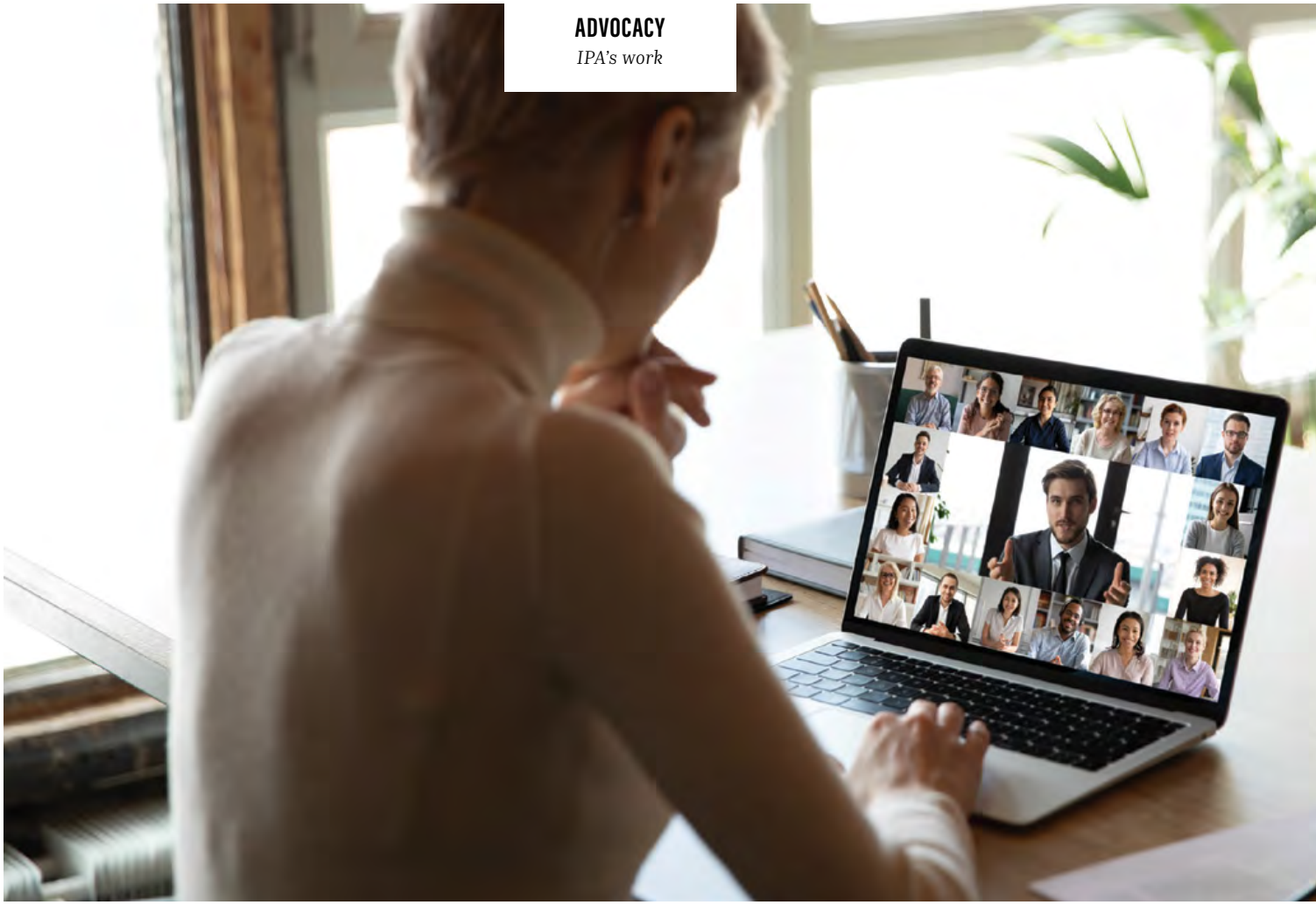
Options, options, options

The impacts of COVID-19 on businesses have been significant, and all businesses will have been impacted. For the owners of these businesses, they need to know there are options available to them and the options to remedy their situation are many. The challenge is picking the right option. Making the right choice will depend on the particular circumstances that the company finds itself in, including:

- its own financial affairs;
- the industry in which it operates;
- access to capital;
- its supply chain;
- the recovery outlook; and
- timing.

By talking to a registered insolvency expert, both accountant and client can make an informed decision about how best to transition through the COVID-19 economy. The earlier these discussions are held, the more options remain open.

Adrian Hunter
partner, Brooke Bird



Fighting for change

Throughout the COVID-19 pandemic, the IPA's advocacy, representation and communications have pivoted to address the numerous and significant challenges that have arisen. Activities have included over 65 meetings with government and regulators, nine webinars, drafting and collating guidance material including dozens of FAQs, responding to literally hundreds of member queries, and countless media including podcasts, interviews, articles, blogs, tweets and more

OVER THE past several months, the IPA has worked with government ministers and their advisers, the ATO, ASIC, ACCC, FRC, TPB, Treasury, National COVID-19 Coordination Commission, the other accounting bodies and various other stakeholders, to ensure the best possible conditions for its members and their small business clients.

Some of the IPA's work is described below. However, its other work, unrelated to the pandemic, continues and some of this is also described below.

Early access to superannuation – tax agents don't need to be licensed to give this advice

After lobbying from the IPA, CA ANZ, CPA Australia, SMSFA and FPA, ASIC issued temporary relief enabling Registered Tax Agents to give financial product advice on the early access to superannuation measure without having to hold an Australian Financial Services Licence, which will end on 15 October 2020. Also, financial advisers will be able to use simplified advice documents instead of the usual long and complex statements of advice. The bodies have collectively produced two Record of Advice templates with guidance, which must be provided to clients under the regulatory relief.

While a temporary measure, accountants can once again demonstrate the value of what it means to be a trusted adviser. The IPA is hopeful that this can

"ACCOUNTANTS CAN ONCE AGAIN DEMONSTRATE THE VALUE OF WHAT IT MEANS TO BE A TRUSTED ADVISER"

lead to further discussions with the government in the longer term.

Accounting and tax profession must be treated as an "essential service"

Two submissions from the Joint Bodies (see below) plus another submission by the accounting bodies, requested that the government treat accountants, tax practitioners and related professionals as an "essential service" when considering strict lockdowns of non-essential services during the COVID-19 period.

The submissions stated that there were significant risks to the business operating environment, and the tax and superannuation systems, if these practitioners cannot operate as usual, particularly as they are needed to support taxpayers in understanding and accessing the benefits of the stimulus packages.

COVID-19 recovery – what are the lessons?

The IPA Deakin SME Research Centre is producing thought leadership pieces on COVID-19 related topics, including: what the recovery might look like; economic reforms to assist the recovery; tax reform in a post-COVID-19 world; mental health issues; diversifying supply chains; the impact on globalisation; what does it mean for international institutions such as the WHO, WTO, UN and so on.

IPA submissions

The IPA, CA ANZ, CPA Australia, Corporate Tax Association, Law Council of Australia and The Tax Institute (the Joint Bodies) are the external members of the National Tax Liaison Group and have been advising the federal government on policies and processes during the pandemic.

Below are the submissions of the Joint Bodies on behalf of their members to the ATO and the National COVID-19 Coordination Commission, Department of the Prime Minister and Cabinet.

A complete list of IPA submissions can be found on the IPA website.

Treasury review of the JobKeeper program

The Joint Bodies have called on the government to remove the restrictive nature of the 'notice' requirement by amending subsection 11(8) and (9) of the JobKeeper rules by importing an assumption that either a monthly or quarterly tax period applies, and to allow the Commissioner to use other evidence of 'making a taxable supply' in those notional tax periods up to 12 March 2020, in order to allow business participants to satisfy eligibility requirements.

They are also demanding the government enable retrospective enrolment in the JobKeeper scheme for entities able to satisfy the amended rules and to provide targeted support for start-ups that were operating but who had not made taxable supplies in the period up to 12 March 2020, particularly those with employees.

Moreover, the bodies have sought the removal of the restrictive nature of the 'notice' requirement by amending subsections 5(6) and (7) of the cash flow boost legislation by importing an assumption that either a monthly or quarterly tax period applies, and to allow the Commissioner to use evidence of 'making a taxable supply' in those notional tax periods up to 12 March 2020, in order to allow businesses to satisfy eligibility requirements.

The bodies would also like to see temporary refundable tax offsets for new businesses and start-ups that have incurred losses in 2019-20.

Push for deferring requests for information for 90 days

In response to the COVID-19 crisis, the Joint Bodies suggested that all non-critical (not related to fraud or evasion) ATO requests for information (RFI) be deferred for 90 days, coinciding with the 90-day waiver for all compliance obligations (see below).

RFI deferral should be optional, with taxpayers able to fulfil the RFI within the usual time frame or an alternative time negotiated with the ATO. It was also recommended that the Treasurer consider announcing a temporary measure to relieve the need for taxpayers to meet the minimum loan repayment requirement under section 109E of the Income *Tax Assessment Act 1936* during the COVID-19 crisis.

Also, that the ATO exercise discretion to ensure that if the minimum yearly repayment is not met, an amalgamated loan will not be treated as a dividend.

Request for tax return deferrals and penalty waivers

The Joint Bodies recommended that the ATO defer company, individual, trust and partnership 2019 income tax returns to 15 June 2020 and SMSF returns to 30 June 2020, without a tax agent making a specific application regarding how the agent has been impacted by the COVID-19 crisis.

This coincided with the request for a 90-day waiver for lodgement penalties for all compliance obligations, including the deferrals requested above, and that the public be advised that those who do not meet

IPA's advocacy work
For full listings of the latest IPA submissions, visit www.publicaccountants.org.au/news-advocacy/submissions

the "85 per cent on-time lodgement requirement" for the lodgement program framework during COVID-19 would not be negatively impacted.

Input to Economic Recovery Package (ERP)
The Joint Bodies provided input to the federal government's legislation on the ERP. They claimed that one of the issues was whether the Instant Asset Write-off (IWO) works for taxpayers with substituted accounting periods. An eligibility requirement for the IWO was that the taxpayer's income year ends on or before 30 June 2020, however this means that a business that put an otherwise eligible asset into use by 30 June 2020 but which had a substitute accounting period ending after that date could not access the new IWO.

The submission suggested rectifying this by either extending the current year end date to 30 June 2021 or deleting the current year end requirement.

Other IPA submissions

Enhancing Unfair Contract Term (UCT) protections
The IPA strongly believes there should be significant financial penalties for breaches of the UCT provisions to ensure businesses implement them. The IPA also states in its submission to the Treasury Discussion Paper on the Review of UCT Protections for Small Businesses that it would be most beneficial if a regulator could commence court proceedings on behalf of a class of small businesses on the basis that a term has, or is likely to cause, the class of small businesses to suffer loss or damage.

Mandating a cooling-off period for audits
The IPA believes that the International Code of Ethics for Professional Accountants should include a cooling-off period for public interest entities. The IPA says in its comments to the International Ethics Standards Board for Accountants on the exposure draft: Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers (EQRs), that the public expects the ethical code governing auditors to ensure the objectivity of EQRs by mandating a cooling-off period.

APES 230 financial planning – is it still fit for purpose?
The IPA's response to the APESB's Consultation Paper: *Review of APES 230 Financial Planning Services*, was based on extensive consultation; and found that many members did not consider APES 230 fit for purpose, especially given the huge amount of change with the establishment of FASEA, extensive ASIC guidance and market developments.

Bushfire recovery – What's happening

While this pandemic continues, we cannot forget the 2019-20 summer of bushfire devastation. Again, in conjunction with the other professional bodies, the IPA has continued to work with the National Bushfire Recovery Agency (NBRA). For updates on the work being carried out by the NBRA, you can go online to subscribe to receive newsletter updates.

VALE PAUL DRUM

PAUL DRUM, CPA Australia's general manager of external affairs, passed away unexpectedly on Friday, 29 May 2020.

We are saddened by the unexpected loss of Paul in the accounting community. Paul was a great personality and dedicated to his passion to the tax community in particular. He was a larger-than-life character and will be missed by all of those who interacted with him in his professional and private capacity.

The IPA extends our condolences to his family, friends and the CPA community.

Celebrating small business around the world

On 6 April 2017, the United Nations (UN) General Assembly approved the creation of Micro, Small, and Medium-Sized Enterprises (MSME) Day, to be celebrated annually on 27 June. This was the initiative of the International Council for Small Business (ICSB). According to the ICSB, MSMEs make up over 90 per cent of all firms and account, on average, for 70 per cent of total employment and 50 per cent of GDP, on a global basis

| by Vicki Stylianou |

THE UN describes international days such as this as 'occasions to educate the public on issues of concern, to mobilise political will and resources to address global problems, and to celebrate and reinforce achievements of humanity. The UN did not create international days, but it has successfully used them as a powerful advocacy tool.

The theme in 2020 has been to not only recognise the necessity and power of MSMEs worldwide, but also to capture the opportunity to really be with MSMEs. This means sitting with their struggles, successes, stories, experiences and opportunities. This is something which is familiar to IPA members on a daily basis, and especially this year as we all struggle with the health, economic and social challenges of a global pandemic.

Our opportunity and challenge are to emerge with a better set of conditions for MSMEs than that which existed prior to the pandemic. Economic diversification, improvements in health care, digital acceleration, creating quality jobs, changes to education, focus on social empowerment, are some of the key areas of work in Australia and in many countries. MSMEs are well placed to participate and contribute to the rebound and vibrancy in these areas. In fact, the ICSB and UN describe MSMEs as the 'first responders to societal needs'.

However, many MSMEs need our support to survive the pandemic and to assist in the post-COVID-19 recovery. This is why World MSME Day this year is more critical than ever. We need governments at all levels, policymakers, influencers, the private and corporate sectors, academia and all stakeholders to contribute to the 'collective voice of MSME solidarity'. This is the call to action of World MSME Day 2020.

The call to action consists of, firstly, to develop guiding principles and metrics that will inform and create policies for MSMEs; secondly, to ensure that MSMEs have a voice and a direct share in the long-term discussion around MSMEs; and thirdly, to facilitate complete collaboration between all stakeholders.

The IPA has a particular interest in policy development, especially through the IPA Deakin SME Research Centre. We recognise that coherent policy environments can provide an enabling framework for inclusive and sustainable MSME growth. Some of the key policy issues under (continuing) consideration

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"OUR OPPORTUNITY AND CHALLENGE ARE TO EMERGE WITH A BETTER SET OF CONDITIONS FOR MSMEs THAN THAT WHICH EXISTED PRIOR TO THE PANDEMIC"

include taxation reform, industrial relations reform, and trade policy (including the integration of MSMEs in regional and global supply chains through trade facilitation and standardised certification mechanisms).

Common themes across Australia and in many countries, include providing policy support to MSMEs, such as expanding access to finance, facilitating expanded market access, improving entrepreneurship and human capital development, regulatory reform to reduce costs, as well as supporting research and development for innovation.

However, we also need to improve access to and leverage e-commerce and the digital economy. These have brought significant opportunities for MSMEs to grow their businesses and even leapfrog over competitors. Of course, it necessitates a focus on digital infrastructure, which is just as important, if not more so, than physical infrastructure.

Innovative policy measures are being implemented globally, including late payment mechanisms and MSME-preferred government procurement procedures. In addition to promoting growth, these policies support institutional growth of MSMEs, improving their competitiveness in the global economy. MSME networks are being used to facilitate collaboration at both national and regional levels. Recently signed trade agreements also include preferential measures for supporting business growth of MSMEs.

Associations such as the IPA and our members have a part to play in linking MSMEs with business ecosystems, supporting them to connect and secure support from government, research and private sector stakeholders. Their role is also important in helping MSMEs build governance structures and business development and recovery strategies, including at the initial start-up phase. In addition, the role of associations in trade facilitation is often the trigger linking MSMEs with regional and global value chains.

With more than two-thirds of the global population employed by MSMEs, we need rapid action to bring about economic and social recovery, through appropriate policy measures, giving voice to MSMEs and collaboration to ensure we are building more sustainable and resilient MSMEs. We need to include best practice and to learn the lessons from the COVID-19 impacts. Leadership and political will are essential ingredients to achieving a new better normal.

Vicki Stylianou
group executive, advocacy and technical, IPA

TO HELL AND BACK

The untold stimulus journey, warts and all

Deservingly, health workers were appropriately singled out and acknowledged for their efforts during the height of the pandemic. The silent heroes working in the background were the army of accountants. Our profession can take a bow and I am proud of the way we responded helping clients during this difficult time. Members understandably find it difficult to switch off when clients are experiencing difficulties and as their trusted adviser, put their clients' needs in front of their own

| by Tony Greco FIPA, general manager of technical policy, IPA |

THE DEMAND on accountants was confirmed by the ABS, which recently released data on businesses seeking COVID-19 related advice. It says: Three out of five (60 per cent) Australian businesses sought external advice in response to COVID-19. Businesses were most likely to seek advice about government support measures (86 per cent).

Accountants heavy lifters also providing emotional support

Accountants had to do the heavy lifting in helping clients navigate the government stimulus measures put in place to mitigate the adverse implications of COVID-19 restrictions. Most had to put aside their normal compliance work and direct all resources to helping clients access the cash flow boost and JobKeeper packages. Both of these initiatives accounted for the bulk of the federal government's stimulus measures and were delivered through the tax system.

Accountants found themselves caring for anxious staff and clients, all while trying to keep their own businesses afloat. Accountants were inundated

with clients seeking advice on how to deal with the impacts of COVID-19 on their businesses and assisting them to navigate the relief measures. The ripple effect of the coronavirus pandemic was huge, sending consumer and business confidence to record lows. The economic uncertainty had taken an emotional toll on both business owners and the accountants servicing them. At the height of the social distancing restrictions and business closures to curb the spread of coronavirus, client sentiment turned from feeling mildly nervous to deeply distressed.

Most businesses took a significant hit to revenue and cash flow. Accountants found themselves not only as business advisers but providing much needed emotional support.

Accountants were challenged trying to work out what advice they should be giving their clients not knowing what the future looked like. The restrictions put even the most resilient businesses in financial stress. Dentists, for example, who could not perform procedures unless they were considered an emergency, saw revenues fall off a cliff.

Non-billable hours skyrocketed

Accountants put the health of their practice on the backburner as non-billable hours suddenly skyrocketed and the focus turned to helping their clients get through the immediate impacts of the crisis. Most practitioners willingly provided advice not knowing whether the client would survive the lockdown. Obtaining a strong understanding of the stimulus measures in the short time available challenged all accountants, putting more pressure on billable hours. Practitioners had no choice but to immerse themselves in understanding JobKeeper.

This effort in understanding the eligibility criteria around the stimulus measures added to their existing workloads. Most accountants were spending up to half a day reading just to keep on top of potential tax impacts on clients. It was that fluid. They would wake up each day to something new as the guidance was being developed in real time. One upside is that accountants have a better understanding of their clients' businesses, providing the opportunity to expand the services they can provide their clients in addition to compliance work going forward. In addition, clients will remember the assistance provided, which will hopefully make that client a very sticky one wetted to the firm which supported it when times turned sour.

Accounting bodies and the ATO

The accounting bodies were quick to recognise the added workload and requested blanket deferrals from the ATO for the 2019 lodgment program. The accounting bodies were appreciative of the ATO responding positively to our requests, understanding the heavy load placed on our profession. The ATO was thrusted into the stimulus arena becoming the Centrelink of the business world. No other agency could have coped with the demands placed on its shoulders. Full credit goes to the ATO in putting together the infrastructure required to pull off something of this size in such a short period. Its focus of being a tax collector turned to that of being a COVID-19 cash dispensing lifeline for distressed businesses. With only minor hiccups, it managed to provide the necessary service delivery standards expected under enormous pressure.

The cash flow boost was essentially an automatic process, however not so for JobKeeper. The cash flow boost applied automatically to businesses that lodged their business activity statement (BAS) or instalment activity statement (IAS). JobKeeper on the other hand was much more labour intensive as it required lots more advice, hand holding and assistance.

Government response – go hard, go early

The government responded quickly and decisively throughout the crisis. Go early and hard was the catch cry. The size of the stimulus measures namely cash flow boost and JobKeeper and the speed of implementation certainly lived up to the rhetoric.

Looking back at what unfolded, it is easy to unpick some of the less than ideal aspects of the cash flow boost and JobKeeper initiatives. Taking nothing away from the government, these initiatives did not have the luxury of a normal consultation process. JobKeeper, for example, was announced on 30 March and legislation followed in less than 10 days.

There was simply no time to waste to deal with the evolving consequences of the pandemic. The government had to act quickly, and we applauded the speed of delivery and fully understand the predicament it was facing. Particularly, just prior to the JobKeeper announcement where long queues were forming outside Centrelink offices. I will never forget that image. Once JobKeeper was announced it provided a welcome security blanket over the entire economy and more importantly slowed the number of employees being laid off in response to the pandemic.

JobKeeper managed to lower anxiety in the community and bought valuable time for the government to focus on dealing with the health issues and recovery measures. We should be proud as citizens that we live in a country that values human life and put in place the necessary measures to limit the number of deaths associated with the pandemic.

While the economic costs of the restrictions will be huge and something future generations will be paying back over an extended period; history tells us that it was right call.

"ONCE AN ENTITY SATISFIES THE DECLINE IN TURNOVER TEST, IT DOES NOT NEED TO RETEST ITS TURNOVER FOR THE REMAINING DURATION OF THE JOBKEEPER SCHEME"

Cash flow boost

The policy intent was to provide temporary cash flow assistance to entities who employed staff during the economic downturn associated with COVID-19. Eligible businesses and not-for-profits (NFP) could receive between $20,000 to $100,000 in cash flow boost amounts based on the amount of tax withheld from payments such as wages. Only genuine employment relationships were recognised with some odd exceptions (see below).

Some of the issues that caused concerns are:

- The cash flow boost only recognised wages resulting from a genuine employment relationship. Only bona fide arrangements counted. If an employer paid wages there would be super obligations, workers compensation insurance, tax withheld and STP reporting. This is what a bona fide employment relationship looks like.

  An active participant in a business that was remunerated via dividends, partnership profits or trust distributions instead of wages, meant that the entity was not eligible for the cash flow boost. We received a lot of feedback from members on this issue and the consensus among our members was that it was unfair.

  We lobbied government to no avail, however this feedback did result in JobKeeper reach being extended to cover active participants in the business who were not remunerated via wages, so all was not lost. The IPA cautioned members to resist client pressure to backdate PAYG withholding arrangements to re-arrange remuneration practices. We hope our alerts have been heeded as the ATO has not processed cash flow boost to entities that attempted to backdate arrangements, sending please explain letters to clients' tax agents.

- Lack of access to cash flow boost for new businesses and start-ups. It is an inequitable outcome where the cash flow boost for identical businesses starting on the same day can differ simply due to the election of a particular BAS reporting cycle. The following scenarios illustrate losses due to this anomaly:
  - New businesses that have commenced from 1 January 2020, and who are registered for GST on a quarterly cycle;
  - New businesses that have commenced from 1 July 2019, and who are not registered for GST or are registered for GST on an annual cycle; and

- R&D companies that employed staff also missed out as they did not make any sales.

Odd inclusions

While generally only available to employers who paid wages, if an entity employed contractors that had entered into voluntary withholding arrangements, then this also entitled the entity to receive cash flow boost. Similarly, if the entity earned personal services income (PSI) that was attributed to the individual due to failing the personal services income tests, it was originally not entitled to the cash flow boost. On 15 June 2020 (Treasury Laws Amendment (2020 Measures No.3) Bill 2020), the rules were changed so that entities that failed the PSI tests would now be eligible. The rationale for the inclusion is that entities that fail the PSI rules, are still carrying on a business.

JobKeeper

The JobKeeper Payment scheme is also a temporary subsidy for businesses significantly affected by coronavirus (COVID-19). Eligible employers, sole traders and other entities can apply to receive $1,500 per eligible employee per fortnight. This stimulus measure recognised active participants in a business that were not remunerated via wages, addressing one of the major concerns with the cash flow boost. Some of the design features of JobKeeper were its design faults. The government had to strike the right balance between maintaining integrity and simplicity. Anything overly complex would not have been capable of implementation in the time frame required, so it is understandable that there were tradeoffs in the system design.

- ***Fixed amount of wage subsidy*** - JobKeeper provided a flat $1,500 per fortnight per employee, which represented 70 per cent of median wage (100 per cent for tourism, hospitality and retail). It was designed to be simple and egalitarian (treating all employees the same whatever they earned). This means some employees will receive more money than what they were previously paid. Many small businesses encountered significant operational issues managing this aspect of the scheme. Most other countries around the world that introduced a wage subsidy based it on a percentage of the employee's wage subject to an upper limit. It was estimated that one in five recipients received more money through the wage subsidy while 48 per cent received less and 33 per cent essentially roughly the same amount.

$1.5k
The fortnightly JobKeeper amount paid to eligible employees

- ***Cash flow issue*** – A key design feature of JobKeeper was that it was essentially a reimbursement scheme. For the employer to be eligible, it had to meet a wage condition, which essentially meant that eligible employees had to be paid at least $1,500 before the employer became entitled to reimbursement. This payment in arrears created huge cash flow issues for employers, causing the government to call in the banks to provide temporary funding. While this helped, it did not alleviate the cash flow issues particularly for smaller entities. Some employers did not sign up for JobKeeper or reduced the number of employees on their payroll due to cash flow concerns by not reinstating all retrenched or dismissed workers. Take the case of an

"WITH ANY GOVERNMENT INITIATIVE OF THIS MAMMOTH SIZE, IT IS ENTIRELY APPROPRIATE THAT IT REMAINS TARGETED AS WE ARE USING BORROWED MONEY TO HELP BUSINESSES SURVIVE THE DOWNTURN AND CONTINUE TO EMPLOY THEIR STAFF"

employer who has a large, long-term casual workforce that earned less than $1,500 a fortnight. To go into JobKeeper, they would need to top up those workers to $1,500 a fortnight and have to fund it in the meantime until they were reimbursed by the ATO.

● ***GST turnover debacle*** - The law sets out that GST turnover is the value of supplies made in the relevant period including GST-free supplies but excluding input-taxed supplies. Prior to the release of LCR 2020/1, the ATO's website guidance, tweaked multiple times in a matter of weeks, failed to make it clear that the cash and accruals methods were concessionary methods, and did not make this clear until the release of the LCR. The LCR makes it abundantly clear that the law requires the taxpayer to allocate supplies made to each relevant period and then work out the value of the supply, and that accruals, cash and other accounting methods are practical, concessionary, fallback alternatives.

● ***Active participants*** - While JobKeeper recognised active participants in a business who were not remunerated through wages, only one active participant qualified for JobKeeper. Only one partner, beneficiary, or director per business entity.

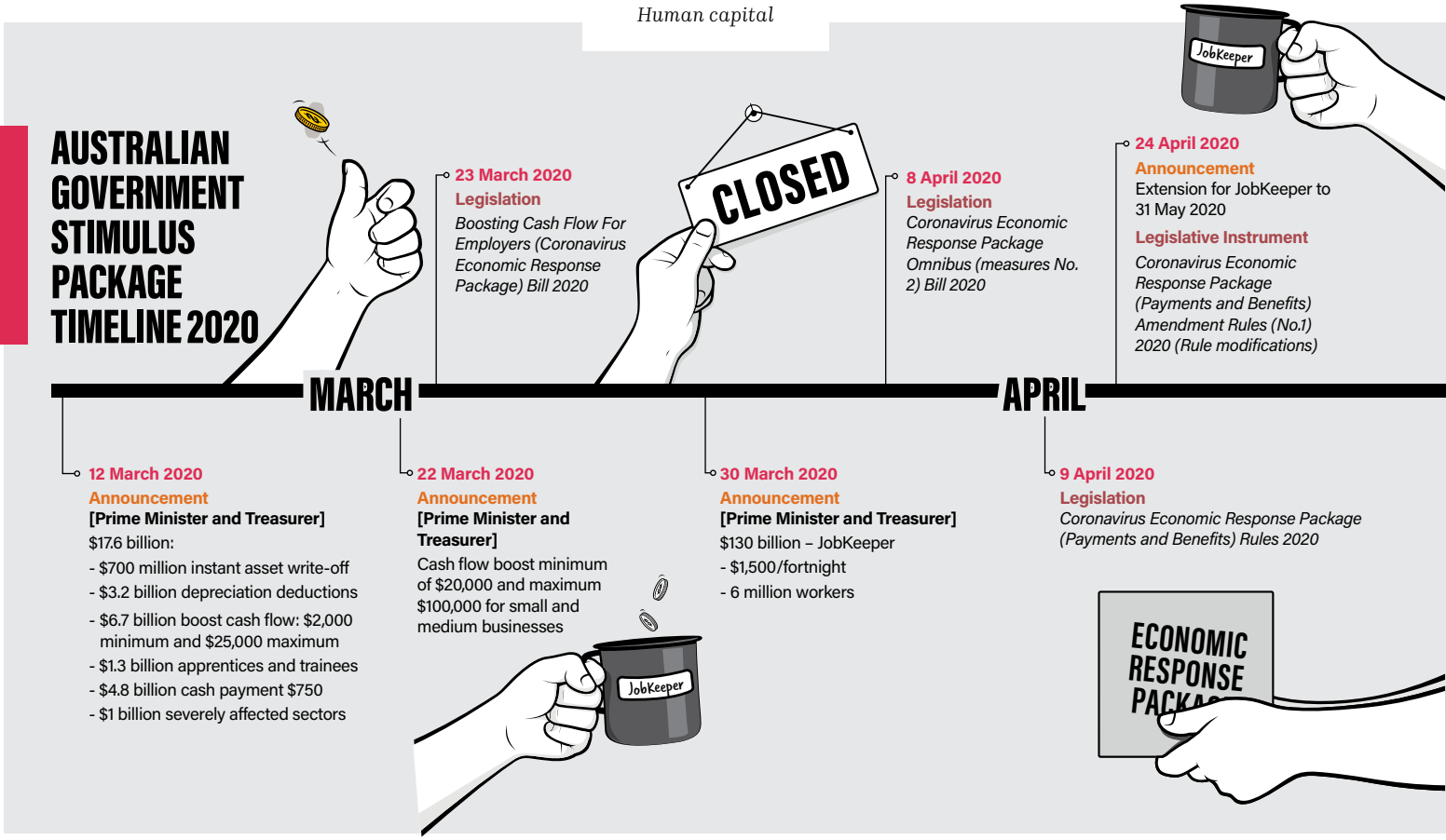
● ***Certain structures are problematic*** – Small businesses established as unit trusts and where the units are owned by one or more discretionary trusts, these were unable to access either JobKeeper or the cash flow boost. The individual must be the direct beneficiary of the unit trust. In respect to partnerships, only one partner could qualify. If the partners provided the same services as independent sole traders, both would qualify for JobKeeper.

● ***Students with part-time jobs*** - Students aged 16 and 17 with part-time jobs were originally included in JobKeeper and were eligible for up to $4,500 of JobKeeper money. As from 11 May, for 16 and 17-year-olds to remain eligible employees, they needed to be independent or not in full-time study. Their original inclusion was questioned from the outset.

● ***Short-term casuals*** – The JobKeeper scheme did not cover short-term casuals (<12 months) and some visa holders.

● ***'All in' principle*** – The 'one in, all in' principle created confusion initially as there was nothing in the legislation that required an employer to include all eligible employees. The policy intent was clear; however, no cherry picking was to be allowed. Once an employer decides to participate in the JobKeeper scheme and their eligible employees have agreed to be nominated by the employer, the employer must ensure that all of these eligible employees are covered by their participation in the scheme. The JobKeeper rules had to be subsequently amended to make this mandatory.

● ***Assisting businesses in decline*** - Decline in turnover did not have to be COVID-19 related. If a business entity



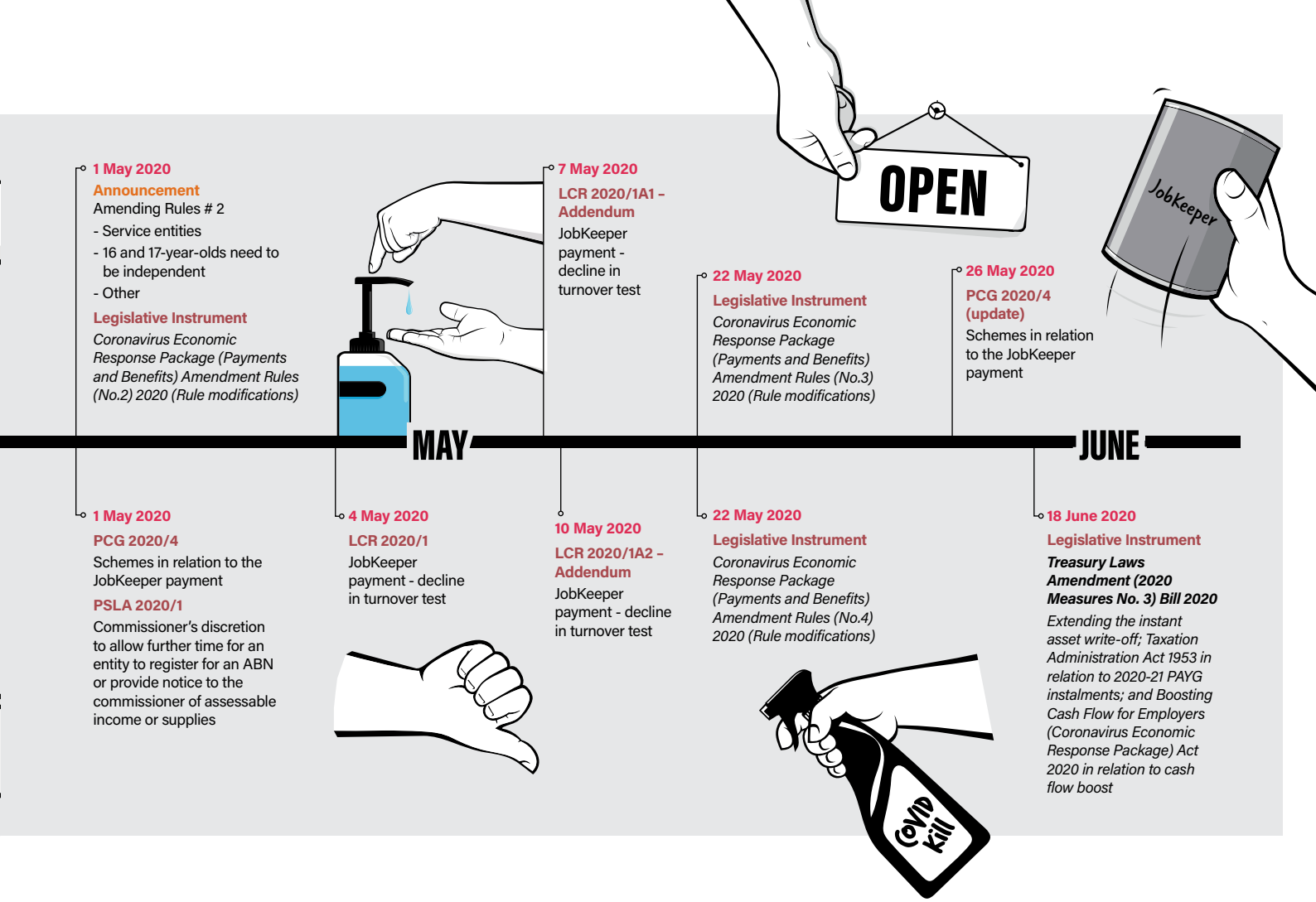
was already in decline for structural or bad management reasons, the entity could still be eligible for JobKeeper. JobKeeper does discriminate between viable or non-viable businesses. Similarly, if an entity had divested parts of its business and its comparable turnover in the same period a year earlier included the larger business then no adjustment was required for a decline in turnover calculations as the entity meets the basic turnover test. The alternative turnover test cannot make an entity ineligible where an entity has met the basic test. Another example of a generous feature of JobKeeper.

● ***Only test eligibility once*** – Once an entity satisfies the decline in turnover test, it does not need to retest its turnover for the remaining duration of the JobKeeper scheme. This was seen as a generous aspect of the scheme not to have to re-test eligibility. Those entities who had the requisite decline in turnover or projected turnover early in the scheme remain eligible despite turnover returning to pre-COVID-19 levels in later months.

● ***Decline in turnover*** - For an entity to meet the eligibility criteria, it needed to show the requisite decline in turnover when compared with the same period in 2019. The periods for determining the decline in turnover can be periods of one month or three months irrespective of the entity's BAS lodgment cycle. Unless you were relying on actual turnover results there was a lot of hesitation around using projected turnover calculations to gain access to JobKeeper. Both clients and practitioners were gun-shy fearing that if their projections were wrong, they would need to repay substantial monies back to the ATO. It was not until LCR 2020/1 and ATO assurances that guesstimates based on the best available information could be relied upon even if the projected turnover figures were wrong when compared with actuals later on. The marketplace needed these assurances, particularly advisers who felt exposed trying to help clients put guesstimates together to qualify for eligibility. The ATO is on record that it will adopt a "sympathetic" and "understanding" approach to businesses making a "reasonable estimate" of their turnover for the purposes of the JobKeeper turnover test. We will hold the ATO to account if their words do not match their actions.

● ***Casuals*** – While it was appropriate to include long-term casuals, the definition was imported from the *Fair Work Act*. The *Fair Work Act* referred to casuals as someone employed by the employer on a "regular and systematic basis" during the period of 12 months that ended on 1 March 2020. All of a sudden, practitioners had to understand HR laws that they were very unfamiliar with, and the term regular and systematic created lots of issues trying to come to terms with its meaning.

● ***Timelines*** – A lot of the timelines initially communicated were almost impossible to adhere to. Particularly for the first two fortnights where a



lot of entities were trying to make sure they met eligibility criteria that was being developed in real time before enrolling and paying employees the required minimum amount. Hence there were a number of extensions of time to meet the wage condition and allowing tax agents more time to enroll their clients into JobKeeper. Another impossible timeline was the monthly declaration requirement (GST turnover for the reported month and projected GST turnover for the following month), which was required to be made by the seventh day after each month end. Fortunately, a lot of the deadlines were extended at the last minute as the commissioner had some discretion, but this created a lot of anxiety trying to adhere to the original timetable before it was revised.

- ***Service entities*** – the government failed to recognise the role service entities played early in the implementation phase and it was only in early May that this was addressed. In a lot of industries, it is not uncommon to have one entity responsible for employing all the staff for an operating entity or group. The rules were modified by Treasury following intense lobbying by industry groups and professional bodies which sought to have common service entity structure recognised as eligible employers for the purposes of the JobKeeper payment. The rule change addressed the issue for the big end of town (consolidated and GST groups) but the smaller end of the spectrum was left out to dry as the changes were very restrictive.

60
PER CENT
The amount of Australian businesses that sought external advice in response to COVID-19

Fortunately, the ATO came to the rescue with PCG 2020/4. In the PCG the ATO provided examples of service entity arrangements where the commissioner was not likely to commit compliance resources such as where the employer entity reduces a service fee in proportion to the decline in turnover of the main operating entity. If the rule change and ATO compliance guide were not forthcoming it would have left service entities no choice but to undertake major retrenchment of staff.

JobKeeper mid-point review

With any government initiative of this mammoth size, it is entirely appropriate that it remains targeted as we are using borrowed money to help businesses survive the downturn and continue to employ their staff. Businesses that are still in hibernation due to continuing restrictions are a different category and will need ongoing support when JobKeeper ends in September 2020.

The government has now had the opportunity to address some of the things it had no time to consider when JobKeeper was implemented. Too many changes will not be welcomed by the community but addressing some of the anomalies may be warranted.

By the time the review is announced we only have two months of JobKeeper left for the scheme, so the

government could easily allow it to run its course warts and all. The Treasurer has the almighty power to tweak the rules as he sees fit and we have seen a number of changes where he has in fact done so.

There is speculation that the $1,500 fixed amount might be adjusted. Another possibility is having entities re-establish their turnover eligibility. When the decline in turnover thresholds were put in place it was in the darkest of times heading into the unknown. The question I ask myself is whether we should still be supporting businesses that have basically returned to normal, so I am a fan of re-establishing eligibility. This way support remains highly targeted to those in need. The other burning issue is how the government continues to support viable businesses that through no fault of their own require ongoing support until the new normal resumes. JobKeeper does not discriminate between a business worth saving and one already in decline and here lies one of the intriguing challenges for policy makers when life support is withdrawn. The number of business foreclosures interestingly has been below the normal rate indicating that the life support provided is prolonging the inevitable. Economists refer to these types of entities as "zombie firms". ASIC data had revealed a 34 per cent year-on-year decrease in insolvencies since late March.

"THE QUESTION I ASK MYSELF IS WHETHER WE SHOULD STILL BE SUPPORTING BUSINESSES THAT HAVE BASICALLY RETURNED TO NORMAL, SO I AM A FAN OF RE-ESTABLISHING ELIGIBILITY"

Not out of the woods – more challenging times ahead

As a final note to all our members, thanks to all the support you have provided to all the small businesses around the country. Your emotional and financial advice reaffirms why accountants are referred to as the "trusted adviser". The sad reality will be that despite all the efforts our profession has provided during the pandemic, some businesses will not survive once support is withdrawn so some difficult conversations are ahead of us and we are by no means out of the woods.

The pandemic has accelerated certain trends such as the move to online shopping away from retail, the importance of having digital presence, remote working, migration to cloud software, and less need for interstate and overseas travel to name a few. The new normal may make some businesses not viable anymore unless they have already adapted to the new environment. JobKeeper has provided a wage subsidy but unfortunately does not cover many of the fixed costs the business incurs (i.e. rent, overheads etc) so in a lot of cases, debt has accumulated during this slow down period.

While all the banks have deferred repayments and landlords may have helped with rent relief, most businesses will have more debt to service and that's not including tax debts. The ATO has been very accommodating allowing businesses to defer tax debts, which has only exacerbated the pre-COVID-19 small business tax debt scenario. Entities will be facing liquidity issues especially when government support ends, so it is important for accountants to pre-empt these conversations.

In some cases, the best advice will be for the business owner to call it a day to prevent more debt being accumulated. An accountant should consider a referral to a turnaround specialist or liquidator may be an appropriate course of action for some clients. Ⓟ

Tony Greco FIPA
general manager of technical policy, IPA

5 minutes with the ICSB CHAIRMAN

Last month, Ahmed Osman, the chairman of the International Council for Small Business (ICSB), kindly sat down for a quick chat with the *Public Accountant*, sharing his observations of the coronavirus and the ICSB's response. Check out Mr Osman's piece "A new dawn for MSMEs and start-ups" in the June/July edition of the magazine

| by Maja Garaca Djurdjevic |

Q. How is the ICSB responding to the coronavirus crisis?
ICSB has quickly responded since the beginning of the pandemic by embracing the digital world very quickly. We have organised over 50 webinars in five languages, organised three virtual conferences with almost 2,500 participants from nearly 80 countries and produced articles and policy recommendations in response to the pandemic. We have also done several online certificates to train academics and small business owners in this tough time.

Q. What activities are planned over the next period to help MSMEs through the current predicament?
We are now organising the world's first online marketplace to connect small business owners around the world in a new and unique format. This will take place in August over two days.

Q. What is the situation like in your home country, Egypt?
Egypt's small and medium-sized enterprise sector involves 1.7 million businesses, which account for 44.6 per cent of the establishments involved in the formal sector.

The sector also employs 5.8 million people, or 43.1 per cent of total workers in the formal private sector.

Egypt is working to encourage all programs and initiatives that support SMEs' development efforts, through expanding the establishment of industrial complexes that include a heavy labour force, such as Damietta City for furniture and Al Robaki City for leather.

In this regard, the government has set up 4,500 serviced industrial units.

The government has also continued the Rowad 2030 initiative ("rowad" meaning pioneers in Arabic) with the aim of capacity building for youth in order to turn their ideas into businesses.

Rowad 2030 established nine business incubators in the artificial intelligence (AI) and tourism sectors, in addition to an Egyptian-African business incubator. It also incubated 19 start-ups in the Mashreq Tourism Incubator and established entrepreneurship monitor 'Rowad Meter', which is an updated national database that provides data about all entrepreneurs and business incubators in Egypt.

Ahmed Osman
Mr Osman is the chairman of the International Council for Small Business (ICSB), the world's oldest and largest non-profit organisation devoted to small businesses internationally. Mr Osman is an entrepreneur and businessman living in Cairo.

"BUSINESSES HAVE TO HAVE A PURPOSE, A VALUE PROPOSITION AND SOCIAL IMPACT"

Amid the COVID-19 crisis, the government is working to support MSMEs through a number of procedures, including releasing a new MSME law that the Parliament recently approved. The law deals with the informal sector and how to engage it with the formal one and also encompasses easing finance provision for MSMEs and extends several direct and indirect incentives to the sector, in addition to stimulating innovation.

Q. How has the crisis changed the landscape globally for small and medium-sized companies?
I see new global supply chains happening, a new world order in global trade led by MSMEs.

Q. Are you happy with the way governments across the globe have responded, in terms of the measures they have introduced to cushion the blow on SMEs?
Yes, many countries have been quick to respond and protect MSMEs. We have seen great work in several countries such as Australia, USA, France and many others.

Q. What else would you like to see moving forward?
We would like to see a global MSME business rating based on KPIs such as profit, people and planet.

Q. In an earlier blog, you said, "Things cannot go back to the way they were prior to the coronavirus outbreak." Change, you said, needs to start with the nature of our economy and our society. Please explain this to us?
Businesses have to have a purpose, a value proposition and social impact, profit driven growth is not sustainable, investors, governments and citizens need to support businesses that work around making profit, supporting people and saving the planet.

Q. What sort of changes are we talking about?
Tax incentives for purposeful, meaningful business with a social impact. Nationwide and global recognition are necessary to showcase global examples of what we at ICSB call "Humane Entrepreneurship".

Q. Are MSMEs ready and eager for change?
Given the wake-up call we all faced during the pandemic, change is imminent.

Q. Looking at all the disruption to our way of life, to business, would you say that the crisis has brought about some positives and what would they be? Will this crisis give rise to a new sort of business model, a new MSME?
Small businesses worldwide have been quick to embrace the digital world, buying online has been the norm and innovation has been embraced by many.

Q. Any final words for our SME audience?
Support MSMEs by buying from them. They are the safety net of our villages, towns and cities.

Follow Ahmed Osman
twitter.com/ahmedmohosman

"WE CAN BUILD A RENEWABLE ENERGY SUPERPOWER WITH A VERY LOW COST OF ENERGY GENERATION"

Manufacturing A REVIVAL

An industry long in terminal decline, could Australian manufacturing really emerge from the coronavirus crisis as a major player in the nation's economic recovery?

| by Adrian Flores |

If the long-term trend of the Australian manufacturing industry could be defined in terms of music, a 'sad country and western song' would be pretty much on the mark. This was how Deloitte Access Economics described the industry in a recent report. It's not wrong either. As a percentage of total GDP, Australian manufacturing over the last 60 years declined from its peak of almost 25 per cent in the 1960s to as low as 6 per cent in 2020.

In explaining the trend, Deloitte said domestic markets remain small while protections and subsidies have gradually been wound back. In addition, Asia has built its capacity to manufacture over the last few decades at a low cost and much of it increasingly of high quality.

But once the COVID-19 pandemic hit, something strange happened. Some areas of manufacturing began showing small signs of growth. During the initial stages of the outbreak in March, there was increased consumer demand in specific commodities, including cleaning and disinfectant products, and hand towels and (perhaps most infamously) toilet paper.

Even though the growth turned out to be a rather brief and small blip, the question of a larger growth trend had already been posed, not least by the Australian government when it established a taskforce with a revival in manufacturing one of its major goals. Instead of Australian manufacturing being a 'sad country and western song', could it instead be a 'gospel revival hymn'?

Finding renewed purpose

On 25 March, Prime Minister Scott Morrison established the National COVID-19 Coordination Commission, to be led by former Fortescue

Metals chief executive Nev Power and supported by an executive board of directors, including Greg Combet, Jane Halton, Paul Little, Catherine Tanna, and David Thodey.

Mr Power said the nation's manufacturing sector could emerge stronger from the crisis by taking advantage of the lower currency and disrupted supply chains but also stated it was also important that the sector was competitive for the long term.

"It needs to be modern, efficient, high-tech and focused on the things we need. A lot of the manufacturing in Australia is very old fashioned, it hasn't had new investment," he told *The Australian Financial Review*.

"The long-term [manufacturing capability] needs investment strategies. It needs to be appealing and attractive for large-scale investment."

Professor Simon Ringer from the University of Sydney echoed the sentiments of Mr Power. Remarking on the effects of COVID-19 on manufacturing, he says the pandemic has revealed more about Australia's exposure to complex global supply chains, and is a crisis emphasised by the mismatch between its upstream domestic production and its demand for downstream manufactured products.

As a result, Professor Ringer says Australia needs to grow its downstream capacity and shore up its advanced manufacturing capabilities.

"The essence of opportunity is advanced manufacturing – integrating additive technologies or 3D printing, advances in materials science, automation and 'industry 4.0' together with design-led innovation," Professor Ringer says.

"Australia needs a plan to get this integration right: we have the ideal 'raw materials' to achieve this integration and a well-educated and creative workforce. Now is the time for our country to 'act local – think global'."

One such initiative has been established by think tank Beyond Zero Emissions, citing manufacturing as one of seven key industry sectors – alongside energy, building, transport, recycling, land use and training – where it believed its Million Jobs plan could create the most impact and create the most jobs.

Launched in June by chairperson Eytan Lenko, the five-year project is aimed at delivering 1 million zero-emission jobs to rebuild the economy following the coronavirus pandemic. The plan was developed by Beyond Zero Emissions researchers, in collaboration with Australian communities as well as an expert advisory committee including former prime minister Malcolm Turnbull and leading economist Ross Garnaut.

"No one thought 2020 would turn out the way it has. We now have a unique opportunity to seize this moment, to re-tool, re-skill and rebuild our battered economy to set us up for future generations," Mr Lenko says.

The scheme already has the backing of local high-hitters such as Atlassian co-founder Mike Cannon-Brookes, who said at the project's launch in June that going renewable is the way to go in terms of thinking about Australia's future.

"Let's focus on our assets, let's focus on the resources we have as a country, let's look at the natural resources we have. We can build a renewable energy superpower with a very low cost of energy generation," Mr Cannon-Brookes says.

"We can use this as an opportunity to electrify so much of our economy in lots of different ways and we can use it to build a better strategically-positioned economy."

Weaknesses laid bare

Despite the potential opportunities being presented as a result of the realities of COVID, Deloitte Access Economics says the push to revive domestic manufacturing faces the difficulty that the existing supply chains are rather cheaper and more effective.

"Unless global tensions escalate further still, 'reshoring' may be limited to some specifics such as the manufacture of health supplies," it says.

Even with the small recovery following the immediate COVID impact back in March, Deloitte says the overall effect is that manufacturing is sharing the pain amid the wider recession evident nationally and globally, with

"THE ESSENCE OF OPPORTUNITY IS ADVANCED MANUFACTURING – INTEGRATING ADDITIVE TECHNOLOGIES OR 3D PRINTING, ADVANCES IN MATERIALS SCIENCE, AUTOMATION AND 'INDUSTRY 4.0' TOGETHER WITH DESIGN-LED INNOVATION"

Manufacturing in Australia mainly comprises of:

- food and beverages
- clothing and footwear
- metal products
- wood and paper
- petroleum and chemicals
- machinery and equipment

a slowdown that appears set to be on par with or worse than that felt during the global financial crisis. Its forecasts that 2020-21 will reveal a 10 per cent decline in manufacturing output from 2019-20 before showing any signs of bouncing back.

"The demand for manufactured products is weak across the board. And, despite a low Australian dollar, the slowdown in global economic growth has also hit demand for manufacturing exports," says Deloitte.

The Deloitte report also highlights structural question marks, noting that the past several decades saw Australia becoming more integrated into global supply chains. In particular, the COVID-19 pandemic has laid bare Australia's dependence on its economic relationship with China, by far its largest trading partner.

"That has increased efficiency and improved the competitiveness of domestic manufacturers," the report says.

"However, in the face of geopolitical tensions and uncertainty in global supply chains, it also raises questions about how Australian manufacturers will deal with their highly integrated supply chains going forward."

These questions were clearly on the mind of the National COVID-19 Coordination Commission (NCCC). Upon establishment, at the top of its agenda was 'onshoring', or restoring local manufacturing capabilities.

"Australia drank the free-trade juice and decided that offshoring was OK. Well, that era is gone," former chair and chief executive of the Dow Chemical Company Andrew Liveris told *The Australian Financial Review*. Appointed as a special adviser to the NCCC, Mr Liveris said Australia must realise that it really needs to examine its onshoring key capabilities.

"I don't think you tilt as far as we've tilted, in which 20 per cent is domestic and 80 per cent imported," he says of Australia's reliance on foreign manufacturers.

"You need some balance in there that lessens the reliance [on foreign suppliers], and safeguards your basics and essentials."

But according to Professor Hans Hendrischke of the University of Sydney, even though it's worthwhile for Australia to review its links with China, the relationship is so interdependent and mutual that a full 'decoupling' will not happen. If Australia hopes to further advance its manufacturing capabilities, Professor Hendrischke says it needs China to make this transition.

"Advanced digital manufacturing requires substantial investment in technological capability and production facilities. China is already manufacturing and exporting advanced production equipment," he says.

"China will also be a crucial market for any exports, with many opportunities for Australian manufacturers that align with demand in the huge Chinese market. Chinese investment will help develop these export opportunities, as it has with exports like dairy.

"Neither Australia nor China stand to gain from decoupling the two economies. Our economic co-operation will change with onshoring. But mutual dependence will not."

"THERE ARE SOME VERY INNOVATIVE AUSTRALIAN ENTREPRENEURS OUT THERE AND SUCCESSFUL BUSINESS OWNERS"

WHAT'S THE STATUS OF SME INNOVATION IN AUSTRALIA?

Innovation needs greater attention in Australia – particularly post-pandemic – and SMEs across professional services sectors should be up to the looming challenges

| by Jerome Doraisamy |

Australia's prosperity is dependent – "to a significant degree" on our business competitiveness relative to the rest of the world, according to the Department of Industry, Science, Energy and Resources.

Innovation provides the foundation for new businesses, jobs and productivity growth, the Department proclaims, and notes that economies that prioritise innovation are "more productive, resilient, adaptable to change and better able to support higher living standards".

However, in the Department's own words, "Australia's business sector appears to be falling behind in the global innovation race".

This concern is backed up by the Organisation for Economic Cooperation and Development (OECD), which shows that Australia spends only 1.8 per cent of GDP on R&D projects and initiatives. Elsewhere, the Global Innovation Index - in its 2019 report on the elements of national economies that enable innovation, such as infrastructure, market sophistication, human capital and research – gave Australia a score of 50.3, ranking 22nd and well behind the global leaders in Switzerland (67.2), Sweden (63.7) and the US (61.7).

Last year, Innovation and Science Australia offered four strategic recommendations to the Department that purport to stimulate increased business investment in innovation across Australia. These were: supporting business investment in both research and development (R&D) and non-R&D innovation, prioritising key growth sectors such as manufacturing, food and agribusiness, fostering a "growth through innovation mindset" for corporate entities, and facilitating access and attraction to innovation skills and capabilities.

Given the outbreak of the global coronavirus pandemic and the ensuing economic downturn – which has given rise to Australia's first national recession in 29 years – major policy initiatives have (somewhat understandably) taken a back seat. But, in speaking to SME leaders, it is not clear that boutique businesses feel that federal or state governments have done enough to encourage and nurture innovative thinking and business development. As such, they are looking to take matters into their own hands, as the nation turns its attention towards a marketplace that has emerged from the fog of coronavirus.

What is holding Australia back?

Nest Legal principal Laura Vickers believes that innovation

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Where Australia ranks in the Global Innovation Index 2019 report on the elements of national economies that enable innovation

requires the "sharing of ideas and reflections, and it requires a system designed to make sure this still happens when people are working remotely". Whether Australia's systems help create that is another question.

According to financial management and business psychology professional Jaya Lesley, who runs a self-titled firm, Australian culture is what holds back innovation more so than anything else.

"There are some very innovative Australian entrepreneurs out there and successful business owners, however, when it comes to the general population, people are too scared to put themselves out there and express their ideas or 'bet on themselves'. The fear of change plays a part as well. Fear exists no matter what culture you are from, however it is not just fear that holds Australians back," she argues.

This is supported by Classic Finance founder Nancy Youssef, who feels that the "overwhelm factor" is stopping people from thinking about innovation – particularly in the wake of COVID-19.

"It's hard to innovate in times of uncertainty. Survival mode needs to be the focus: you'd be forgiven for putting innovation to the bottom of the agenda for now."

COVID-19 has stifled SME innovation

These nationally-ingrained hurdles have been exacerbated by COVID-19, with a lack of funding being among the most troublesome for innovation.

"Business systems are being pressure tested by the pandemic and the new economic climate," Ms Vickers observes. "Those firms which have systems that are greater than their individuals and are strengthening those systems as we learn will come out stronger."

"The government has been relatively successful in providing assistance to small businesses. However, those who did not meet the requirements and are still struggling financially (there are some who fell into the grey areas), simply do not have the budget to invest in business development," Ms Lesley outlines.

"Fortunately, there are quite a variety of innovation grants to SMEs available through the Australian government. While most of these grants are funded by the federal government, some state governments also provide grants for businesses located in their area."

The last thing people are thinking about right now, Ms Youssef notes, is, 'How can I innovate?'

"But what the pandemic is doing is that it's forcing us to find the creative solutions and the ways that people and businesses have adapted has been pretty inspiring. It's bred a lot of fear and some disenchantment, but also knowing that everyone is affected and it's not just one targeted segment, means that everyone has really had to force themselves to look through the adversity and search for opportunities to thrive," she advises.

"You can start by looking for the low hanging fruit to find ways to help each other during these times: the easy ways to collaborate, support and uplift others, in a way that might also benefit your business. There are actually so many good news stories and some businesses have really flourished during the pandemic when they've come up with out of the box solutions, such as the cafés who are now offering delivery, and creating a whole new 'drive through café' culture."

What governments can do to help

Australia has done a "brilliant job" in helping SMEs to stay in business and keep their staff since the pandemic hit, Ms Youssef posits, via grants and stimulus packages. However, she adds, "it's not doing much for innovation".

"Looking at it broadly, it's going to be up to the small businesses themselves to go back to what they actually do and rather than pivoting away from that in the face of the pandemic, adapting what they do and strengthening their offering in a different way," Ms Youssef says.

Ms Lesley supports this: "We need to encourage business owners and entrepreneurs by supporting local businesses, no matter how small or large. Have an open mind when you hear or see new ideas, whether it be from a family member, friend, or colleague," she says.

"Think about whether there is an opportunity for you to offer support. Prime Minister Scott Morrison has constantly said, 'We are all in this together', and there is no doubt about that. Innovation and business success are what will create more job opportunities for those who have been affected the most by all of this."

Plans for innovation in a post-pandemic landscape

With Australia now in a recession, SMEs must manage risk more so than ever before.

"Measure the size of each opportunity. Discover the price customers will pay if you solve a particular problem or need. This will also bring your team comfort and reduce resistance to change. You must deeply understand what your customer or consumer wants most. You must be able to identify and prioritise which opportunity will give you the highest margins and customer loyalty," Ms Lesley suggests.

"The good news about this tactic, is if your budget is tight, you and/or your team can conduct this research. Knowledge creates endless opportunities. If conducting this type of research seems out of your jurisdiction, there are many free online business courses around at the moment. You should never stop learning."

For Ms Youssef, one must remember why they're in business in the first place: "These are really unusual times and there is a genuine opportunity to build a niche for yourself and your business as experts in your field. Reach out to every customer you have – as

the cost of acquisition is far greater than the cost of retention – and review your processes and efficiencies.

Moreover, collaboration is the "biggest innovation you can invest in" at this juncture, she continues.

"SMEs collaborating to help each other and drive referral business is now more valuable than ever before. Every business owner is at the forefront of the crisis for a particular client, so now is the time to add value. If you have a client going through financial hardship and you can refer to them to a lawyer or financial planner or mortgage broker or insurance broker to help them save money or reduce their risks, then that gives you the opportunity to create solutions for your clients and drive business for others in the SME community – a win-win-win," Ms Youssef says.

Elsewhere, Ms Vickers submits that SMEs that have systems that are greater than their individuals and are strengthening those systems will come out stronger.

"Know your numbers and spot the trends before your competitors and clients do. The needs of our clients differed with each month of the pandemic and we were able to develop content and resource different areas of our business by identifying these changing needs before our competitors and clients did," she says.

"In professional services, we are regularly tweaking how we deliver these solutions, but we are rarely creating new ways to solve these types of problems. But we are keeping one eye on the horizon so we can respond to market demand as quickly as possible."

Advice for SMEs moving forward

Taking the initiative on innovation will not only lead to increased revenue and profit for SMEs, but will increase workplace productivity as well, Ms Lesley deduces: "Your business will gain a level of uniqueness that will set you apart from the strongest of competitors."

This is not a time, Ms Vickers warns, to blindly copy what other businesses are doing – although, she adds, innovators need to make peace with the fact they will be copied.

"Know your own clients and understand what they need and how this is changing. Know and critically reflect on your own business and strengthen any weak spots in your systems as you identify them. Create a culture where your team is encouraged to identify where the business can find a better way to do things and make time to share those insights. Your business will come out stronger for it," she adds.

To truly innovate, Ms Youssef offers, one must re-evaluate why they are in business in the first place so modern solutions can be adopted.

"This is a good time to look at what you can control and focus on those elements, rather than dwelling in what you can't control. From there, you can think about ways to innovate. Can you change your marketing activity? Find efficiencies? Update processes? Innovation can only come when you can focus on your goals and when that feels overwhelming, try and do it in small chunks."

The Department, for its part, appears to agree: "The challenge for both government and business is how they work together to demonstrate the leadership and 'growth through innovation' mindset to create the environment in which to stimulate business investment in innovation."

"AUSTRALIA CANNOT AFFORD TO UNDERESTIMATE SOCIETY'S RELIANCE ON SUPPLY CHAINS AND THE PEOPLE THEY EMPLOY TO KEEP OUR BUSINESSES MOVING"

The weakness of our

SUPPLY CHAINS REVEALED

The coronavirus pandemic has wreaked havoc across a wide range of industries worldwide, but nothing has been more apparent than the previously seldom explored weakness of global supply chains

| by Maja Garaca Djurdjevic |

Weekly trips to our local supermarkets were a learned process, until one day we walked in and our shelves were bare. Rarely, if ever, have Aussies faced empty shelves to the extent encountered over the past several months.

It is then that the supply of goods, or a lack thereof, began to interest us ordinary folk. As our government enacted restrictions aimed at slowing the spread of COVID-19, apocalyptic scenes from our local supermarkets began to fill our newsfeeds.

The toilet paper shortage, the buying spree of all things canned and surgical mask shortages that put dentists out of work, exposed frightening weaknesses in how our everyday goods are sourced, distributed and stored.

But aside from the obvious broken links in the way things run at home, we've also been privy to our overreliance on overseas markets.

A long delay on our mattresses, presumably Aussie made, and a lack of the usual low-priced favourites like the Kmart $3 dinner plates, pushed us to question the origins of our commodities.

But long before we, the citizens, even witnessed the cracks, talk around town was that Australia could be suffering a medicine shortage, having become dangerously dependent on imported goods.

Namely, the Institute for Integrated Economic Research – Australia published a report earlier this year claiming that over 90 per cent of our medicine is imported, exposing us to possible medicine shortages arising from factors outside of our control, like the coronavirus crisis.

All these things and more gave rise to great concern, prompting our experts to demand change.

Ageing, male workforce

Early on in Australia's panic buying craze, Deakin's Centre for Supply Chain and Logistics (CSCL) issued a stern warning to us all.

"Australia cannot afford to underestimate society's reliance on supply chains and the people they employ to keep our businesses moving – yet, until the pandemic, we have done," says industry professor and CSCL director Dr Hermione Parsons.

Dr Parsons points out that even prior to the coronavirus crisis, Aussies displayed an increased demand for 'always available products' and 'just-in-time' services.

These, she explains, were compounded in recent years by fast-changing consumer behaviours driven by advances in technologies such as e-commerce, aka online shopping.

But according to Dr Parsons, it is not just our rising demands and fear of the coronavirus that have landed us in hot water, but also an inadequate workforce in supply chain and freight logistics.

Referring to it as ageing and male dominated, she said its skills mostly lie in a bygone era.

"There's no replacement pipeline of workers in sight; and no comprehensive national education and training program exists in Australia," says Dr Parsons.

"We need to start thinking more creatively about these workforce development needs, so we're protected in future times of drought, bushfires, floods and pandemics.

"We need to be prepared, and we need to build resilience in Australia's supply chain and freight logistics workforce."

Interdependence of markets

But aside from our questionable workforce capabilities, the coronavirus has exposed another major problem.

Are you familiar with a typical global supply chain system?

Well, in typical circumstances (those outside of a pandemic), raw materials are sourced from one country, the components designed in another, parts made in a third, with the pieces then shipped to various assembly plants where labour costs are low.

The finished products are then packaged and transported across the globe. Sometimes for more manufacturing or pre-sale preparation at the point of sale.

But, with the COVID-19 pandemic forcing shut large parts of economies, including our borders, this interdependence of markets has resulted in major disruptions to global supply chains. Especially for an island nation such as Australia, that's overly used to leaning on its peers for products.

As such, CSCL industry research and knowledge exchange strategist Adam Voak has deemed the supply problems we've witnessed since March as inevitable.

Evident to him, and to us now too, is that only one key economy or segment needs to malfunction in a global network to cause disruptions along the entire chain.

"This is why we're now seeing issues in terms of access to vital medical personal protective equipment, chemical reagents for testing, supply of isotopes for cancer treatments and many other critical final products and precursor elements," Mr Voak says.

Being a predominantly import-dominated nation, many of our goods are produced in other countries and come to us through the global supply chain, and it is those products that can face significant barriers in terms of time, efficiency, cost and security.

It is for this reason that in April, Andrew Liveris, the former CEO and chair of Dow Chemical, told *The Australian Financial Review*: "Australia drank the free-trade juice and decided that offshoring was OK. Well, that era is gone."

The man behind Obama's manufacturing policy didn't spare Australia, urging policy makers to explore onshoring key capabilities.

"I don't think you tilt as far as we've tilted, in which 20 per cent is domestic and 80 per cent imported," he said.

But as we look to reverse the damage, much like Dr Parsons, Mr Voak believes that part of the remedy lies in a new, skilled workforce.

"Managing critical medical and food supplies, reducing

"WE'RE LIKELY TO SEE A REPATRIATION OF CRITICAL INDUSTRIES OR THE MANUFACTURING OF PRODUCTS SUCH AS MEDICAL DEVICES AND PHARMACEUTICALS AS A RESULT OF THIS PANDEMIC"

food waste, improving the competitiveness of our food export industry through end-to-end supply chain traceability, and protecting our environment from packaging and e-commerce related transport emissions and congestion are all critical supply chain issues requiring a newly skilled and knowledgeable workforce," Mr Voak said.

"Much more needs to be done in terms of planning, skills and knowledge development, investment and safety stockpiling at the state and national levels to design our supply chains to better protect society in the future."

More robust systems needed

And, looking around the globe, things certainly are shifting.

Countries are waking up to the realisation that more robust systems must be built. These robust systems need to not only ensure sources of supply are moved away from any one country, or company, in favour of a more regionalised network, but they need to return manufacturing home.

And according to Rich Thompson, who leads the global supply chain consulting practice for JLL, lessons have been learnt.

"Having learnt a big lesson from this recent pandemic, countries will be focused on developing 'domestic supply chain independence' to avoid another situation of national emergency where they are reliant on importing vital medical supplies," says Mr Thompson.

He gives the example of the US, where 95 per cent of surgical masks and 70 per cent of tighter-fitting respirators are made overseas. Having become aware of this, he predicts countries will now repatriate critical industries.

"We're likely to see a repatriation of critical industries or the manufacturing of products such as medical devices and pharmaceuticals as a result of this pandemic, which will, in turn, lead to a change in the domestic warehousing and logistics landscape," notes Mr Thompson.

The good news is a number of industries are already looking to regionalise their operations in a bid to mitigate the risks associated with one central point of manufacturing.

French fashion house Louis Vuitton, for example, recently opened a manufacturing operation in Texas. While in the auto industry, Mercedes-Benz, which used to build solely in Germany, now manufactures in numerous markets, mirroring similar moves by Toyota and VW.

But bringing things home is not the only problem Australia has. What else, you ask?

Distribution a weak link

Our distribution is also in need of critical diversification.

JLL believes that with trucking responsible for the movement of 80 per cent of the world's goods, greater reliance will need to be placed on rail and/or intermodal shipping to reduce dependence.

"We'll see more companies invest in locations that can provide multi-modal transportation options with distribution solutions that are in close proximity to parcel hubs or intermodal rail terminals to mitigate the risk of tightened trucking capacity or sky rocketing freight rates," Mr Thompson says.

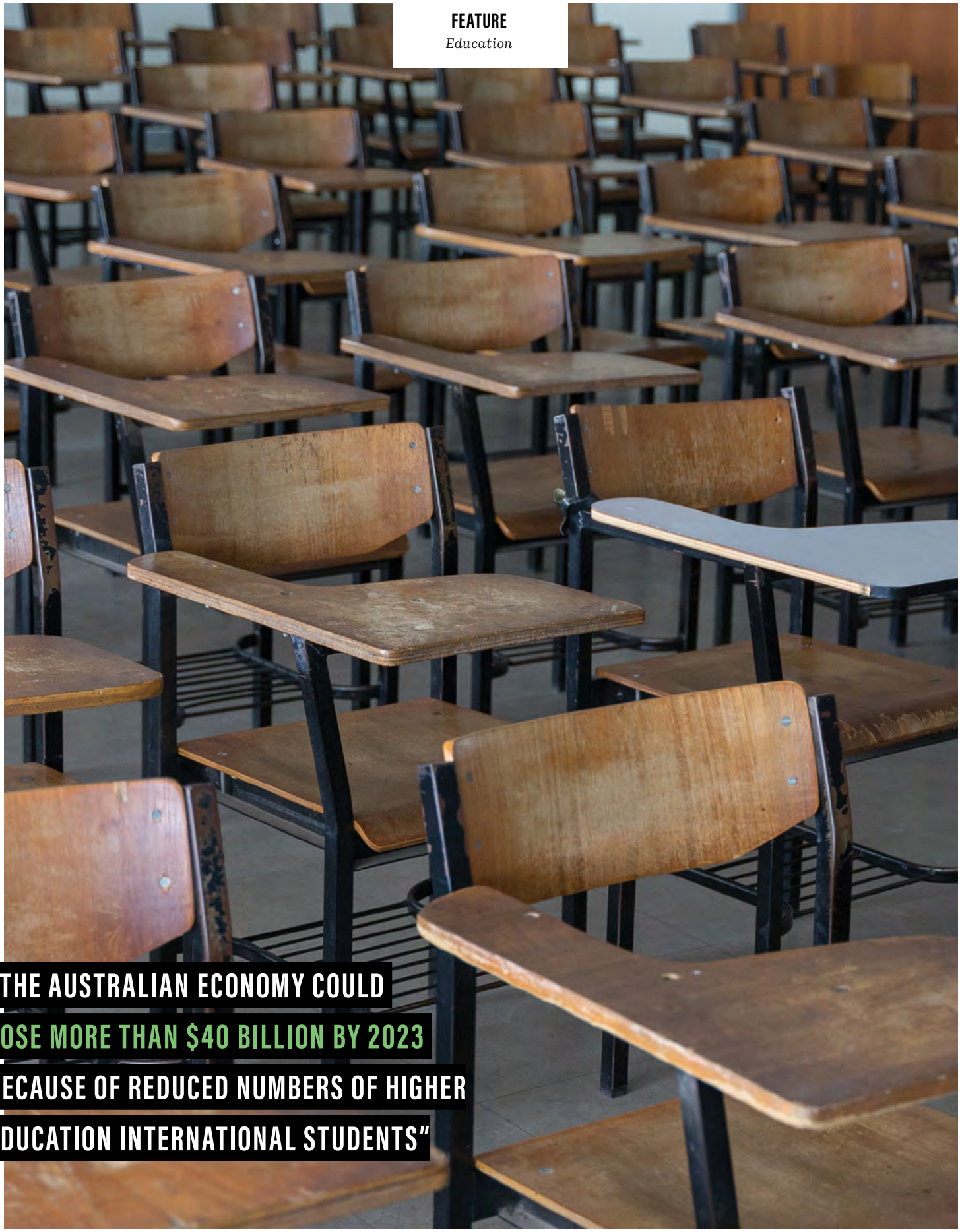
However, even when we've achieved a well-diversified distribution network, what will we do about inventory?

As discussed earlier, inventory was not a strong suit of our local supermarket chains. But the pandemic has forced companies to re-evaluate how much stock they hold and how they distribute it to their customer base.

"If there's one lesson to be learned from this current crisis, it's to maintain additional inventories of the most critical items," says Mr Thomson.

"In a world of low interest rates, companies should create regionalised buffer stocks of essential parts, raw materials and/or finished goods in alternative distribution locations in the event of an emergency so they can continue to satisfy customer demand."

As they do this, Mr Thomson predicts the demand for manufacturing facilities, last mile delivery and fulfilment centres will increase – changing the industrial landscape for decades to come.



"THE AUSTRALIAN ECONOMY COULD LOSE MORE THAN $40 BILLION BY 2023 BECAUSE OF REDUCED NUMBERS OF HIGHER EDUCATION INTERNATIONAL STUDENTS"

THE STUDENT SHUTOUT

One of the first major consequences of the border lockdown to combat COVID-19 was the huge drop in international students at Australian universities. The effects reach way beyond the classrooms and lecture theatres

| by Adrian Flores |

In a world long before the novel coronavirus, international students contributed over $38 billion to the Australian economy each year, supporting over 130,000 Australian jobs as well as enriching the social fabric of the nation, according to a recent research paper from Victoria University's Mitchell Institute.

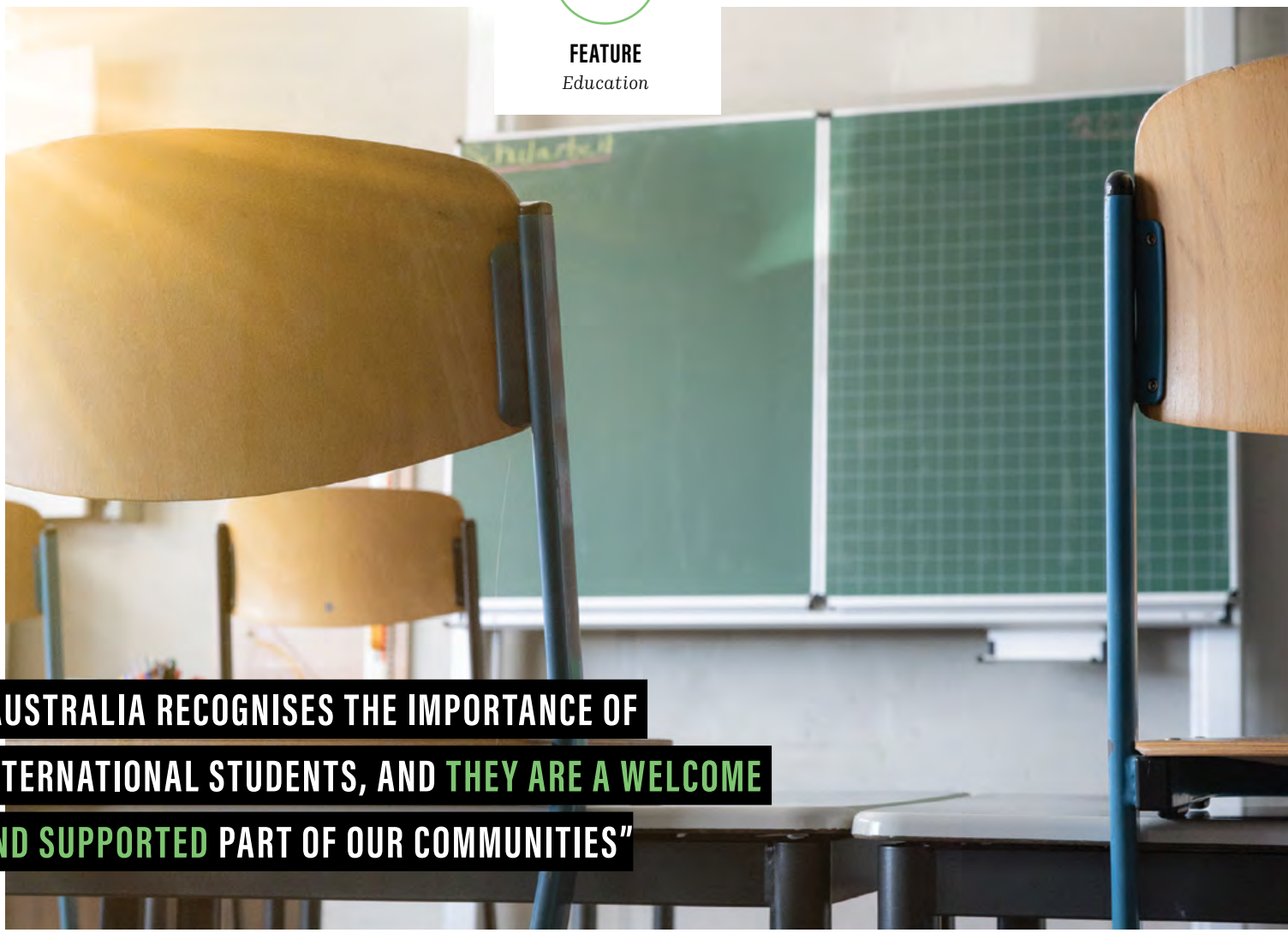
But since the Australian government shut its borders earlier this year, international students have been left high and dry in more ways than one. Those outside of the country have not been able to enter Australia due to its border lockdown. Meanwhile, international students in Australia remain trapped and without support – ineligible for the government's range of stimulus measures aimed at keeping the economy afloat. Many of them even joined queues not dissimilar to the ones at Centrelink immediately following the shutdown for much-needed food relief.

Losses to the Australian economy

Education policy fellow for the Mitchell Institute, Peter Hurley, predicts that the university sector faces cumulative losses of up to $19 billion over the next three years due to lost revenue from international students. The losses become much deeper once the effect on the wider Australian economy is taken into account.

"The Australian economy could lose more than $40 billion by 2023 because of reduced numbers of higher education international students," Mr Hurley says.

Such predicted losses indicate that the loss of international students is not just a problem for universities. Data from the Australian Bureau of Statistics shows that for every $1 lost



"AUSTRALIA RECOGNISES THE IMPORTANCE OF INTERNATIONAL STUDENTS, AND THEY ARE A WELCOME AND SUPPORTED PART OF OUR COMMUNITIES"

in university tuition fees, another $1.15 is lost in the broader economy due to international student spending. The Mitchell Institute estimated that every year international students spend $5.5 billion on property and another $5.5 billion on retail and hospitality.

Further, the Mitchell Institute research found that international students make up over 30 per cent of the resident population in many suburbs.

"In April 2019, 46,480 international students arrived or returned to Australia. In April 2020, this had fallen to 30," Mr Hurley says. "Every six months international students cannot enrol because of travel bans, approximately 110,000 to 140,000 international students don't start their courses.

"This is like losing the equivalent population of either Darwin, Ballarat, or Toowoomba every six months."

Luring international students back

Perhaps in recognition of the significant amount of revenue international students provide to the Australian economy, Prime Minister Scott Morrison announced in June that international students would be allowed back into Australia on a "pilot basis". However, there are continued concerns that this may not be enough to buoy the struggling sector.

One big factor behind any potential recovery is China, the country that is consistently Australia's number one source of international students and was the first country to be hit with a travel ban to Australia. According to the Department of Education, Skills and Employment, there were 164,693 students from China in April, comprising just over a quarter (27 per cent) of all international students in Australia. However, a statement from China's Education Bureau hasn't helped the situation. It issued a warning to Chinese students to assess the risks of studying in Australia, in particular around "racist incidents against Asians" during the crisis.

$38
BILLION
The pre-COVID contributions to the Australian economy each year from international students

In response, Mr Morrison said the claims of danger to Chinese nationals were "rubbish" and an attempt at "coercion".

"Australia provides the best tourism and education products in the world and I know that is compelling," he said. "One thing Australia will always do is act in our national interest and never be intimidated by threats."

On top of this, Australia took the lead by demanding an inquiry into the origins

Estimated international student numbers and annual contribution to the economy in 2019, by state and territory

State or territory	Estimated number of international students	International student % of population	Annual international student contribution to economy
NSW	199,538	2.47%	**$12.2 billion**
VIC	185,051	2.81%	**$11.3 billion**
QLD	84,738	1.66%	**$5.2 billion**
WA	55,870	2.13%	**$3.4 billion**
SA	34,705	1.98%	**$2.1 billion**
TAS	6,147	1.15%	**$373.8 million**
ACT	14,344	3.36%	**$872.8 million**

Source: Mitchell Institute

of the COVID-19 pandemic, of which the Chinese ambassador in Canberra responded by suggesting that the Chinese public might boycott Australian products or not visit Australia in the future.

Despite the warnings from the Chinese government and the continued diplomatic row between Canberra and Beijing, several reports from international students from China reveal a defence of Australia as a desirable study destination. One Chinese international student told the ABC that the warning was more a reflection of increasing diplomatic tensions between the two countries rather than any genuine concern from the Chinese government for its students.

Research from Angela Lehmann of international higher education consultancy The Lygon Group also found that international students had mostly positive things to say about Australia following a range of interviews with international students.

"Something I have learned here is about a sense of community, about being kind to others. I love Australia and the people I have met so far," said a student from Peru in Ms Lehmann's research. "Once all this is over, I will go back to my home country and teach them about what I have learned here."

However, Ms Lehmann also warns that negative experiences of international students are more dangerous to long-term recovery than any border closures and flight restrictions. She says at a time of increased unemployment and pessimistic economic forecasts, Australia is at risk of growing anti-foreigner sentiment.

It was on 4 April, when Prime Minister Scott Morrison called for temporary visa holders to "go home" if they couldn't support themselves, that Ms Lehmann found that students went from feeling a part of their community to feeling unwelcome. She says this was something that would need to change in order for international students to flock back to the country again.

"Each student suggested Australia's reputation as a welcoming, safe and diverse place was what was going to shape how parents and prospective students made decisions about where to study after the crisis," she says.

In addition, Ms Lehmann notes that international students want clear policy responses and acknowledgement of the valuable role they play in Australia.

"Australia's flattened curve undoubtably works in our favour, giving us an advantage over the United States and the UK. However, the government's support and welfare may shape how parents and prospective students make future decisions," she says.

"Clear policy responses matter now. They offer a signal to students – current and future – that Australia recognises the importance of international students, and they are a welcome and supported part of our communities."

Policy recommendations for tertiary education sector

- Investigate ways to encourage new international student enrolments when travel restrictions end and it is safe for new students to enter the country.
- Increase capacity across the tertiary education sector so institutions can provide domestic students with the training needed to reskill and upskill.
- Support current international students by addressing the concerns of the international student community.

Source: Mitchell Institute

Peter Hurley from the Mitchell Institute agrees, saying that continuing to involve international student representatives in the coronavirus response is essential.

"It equips policy makers with a better understanding of the issues facing international students," he says. "It will also increase the effectiveness of initiatives that support a recovery in international student enrolments."

Another crucial factor of any potential recovery of international students into Australia and – in turn – the recovery of the economy as a whole, will hinge on local students. Mr Hurley recommends policies that increase student capacity across the tertiary education sector need to be part of the response.

"With fewer resources from international student revenue, additional revenue from Australian students will help our tertiary education sector to offer the educational experiences Australia needs as part of the economic recovery."

MARATHONING THROUGH ACCOUNTING

Darren Gleeson's accounting journey started over 30 years ago. As a newly minted accounting graduate, he secured his first job with a Perth accounting firm, Athans & Taylor, but soon found himself itching to start his own practice

| by Maja Garaca Djurdjevic |

At Athans & Taylor, and another year's experience at a Melbourne-based practice, Mr Gleeson mustered up the strength to branch out on his own. With no money and no clients, Mr Gleeson decided nothing would stop him from realising his dreams, so he launched his own practice in Osborne Park (WA) in a small and bare office.

"First year I spent $15,000 on advertising and marketing, on my credit card, and generated $50,000 in revenue," says Mr Gleeson. "Second year, this grew to $100,000, and I was on my way.

"This eventually became a three partners practice before I 'semi-retired' at 30 and relocated to Vanuatu."

But a short while later – in 2003 – Mr Gleeson decided to leave the tax haven and re-enter the accounting industry.

"With Tracy James, I established the Success Tax Professionals (STP) franchise group," Mr Gleeson recalls.

STP has subsequently grown to be the third-largest accounting/tax franchise group in Australia with over 95 independently owned accounting practices servicing over 50,000 accounting and tax clients annually.

"All the practices are members of the 'Success Tax Professionals' franchise group and benefit from consistent branding, marketing, training, systems, services, and quality controls," he explains.

But aside from running a more than successful franchise group, Mr Gleeson is also a published author.

"In 2015 I became interested in tax planning and started looking for Australian tax planning resources to purchase and use.

"Basically, nothing existed, so I started compiling a database of Australian tax planning strategies myself, for our Success Tax Professionals franchisees.

"This then evolved into my first book in 2016, *Tax Tips That Add Up - 150 tax saving strategies*," he says.

Since then, Mr Gleeson has published a total of seven books, having decided that being an author with only one book "would be pretty lame".

"Liking a personal challenge, I set myself a goal of a minimum of 10 books.

"Currently working on book number eight, due to be published in September 2020, called *8,000 Years of Taxes and Tax Planning*. The book covers 200 weird and wonderful taxes through the ages including the urine tax, hat tax, window tax and smoking tax," Mr Gleeson tells *Public Accountant*.

He explains that for him the writing process is both educational and relaxing, but admits to borrowing a little something from Stephen King.

"THE MAJORITY OF ACCOUNTING PRACTICES ARE COMPLIANCE-BASED AND FOCUSED ON THE HISTORICAL RECORDING OF DATA FOR TAX AUTHORITIES"

"I follow Stephen King's writing dictums," Mr Gleeson says.

"Write every day and get a fixed amount of writing down every day, even if it's not your best work. At least then you have something to rewrite later."

As for his passion for small business, Mr Gleeson believes that accountants have a real opportunity to work with their clients to make their businesses more profitable and increase their net worth.

Unfortunately, he explains, "almost every" public practitioner in Australia produces marketing material stating they are business advisers, but the reality is very few are.

"The majority of accounting practices are compliance-based and focused on the historical recording of data for tax authorities," he says.

"How many small business clients could genuinely say their accountant helped them increase their business profitability by 20, 50, or 100 per cent?"

Mr Gleeson believes that part of the reason for this is that accountants don't have the training, software, or systems to provide business advisory services to their clients.

"Through our sister company, TaxFitness, we have spent the last four years working to provide a solution to this problem," he tells *Public Accountant*.

Currently, TaxFitness is releasing its first business advisory module termed WealthGenerator, aimed to make businesses more profitable.

Speaking about the challenges accountants have faced since he first entered the profession, 30 years ago, Mr Gleeson believes it is their conservatism and resistance to change that has been most hindering.

"Through our TaxFitness business, I have found trying to get accountants to move from a compliance focus to tax planning and business advisory a frustratingly slow process," he says.

"Although accountants recognise there is a client need, and they talk about it a lot, it quickly gets forgotten when they get overrun with compliance work."

As for the current coronavirus crisis, Mr Gleeson explains that accountants have been busier than ever, churning through pages and pages of legislation on behalf of their clients.

Going forward, he says, business clients are going to need assistance about whether their business is viable and has a future; the appropriate cost structure for their business going forward; asset protection; personal finance; debt consolidation; business profitability; and how to generate more sales/revenue.

"Success Tax Professionals franchisees are lucky that accounting and tax services are an essential service that is compulsory. It is not a discretionary spend like retail or restaurants," Mr Gleeson says.

He explains that COVID-19 has actually been a period of increased opportunity for practitioners who have remained approachable and contactable.

"During COVID-19 some industry practitioners just seemed to temporarily shut down rather than find ways to communicate with their clients about the stimulus packages or continue to provide services with containment policies in place.

"This was not the case with Success Tax Professionals franchisees – they continued to operate and many picked up business clients at a loose end due to their usual practitioner simply going to ground."

As for any downtime he gets in his mostly very crammed schedule, Mr Gleeson explains he enjoys fitness and personal challenges.

"In 2017 I completed the Avon Descent, a two-day 124-kilometre white-water paddle event, and last year I ran two 42-kilometre marathons."

Mr Gleeson's next challenge, which he hopes to realise by the time this magazine hits desks, is hiking the world-famous Cape to Cape track.

"The Cape to Cape Walk Track runs for 123 kilometres along the Leeuwin-Naturaliste Ridge, between the lighthouses of Cape Naturaliste and Cape Leeuwin in the far south-west of Western Australia," he tells *Public Accountant*.

"It features spectacular coastal and forest scenery, a fascinating geology of cliffs, caves, headlands and rock formations and an ever-changing display of vegetation and wildflowers."

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Business building

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

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Strategising the return to work

Since COVID-19, many businesses have had to close their doors, stand down their employees or mandate their staff to work from home. Now, business leaders are shifting their focus to creating a return to work strategy

by Ellie Wiseman

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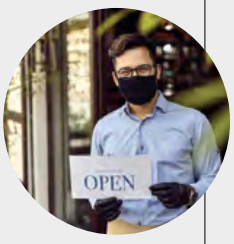
Paws N' All

Taking the lessons gained from years as a small business journalist, Paws N' All founder Adam Zuchetti has set out to change the way for pet owners care for their furry friends



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Top tips to help your business survive post-stimulus

Jirsch Sutherland's recovery and insolvency specialist Andrew Spring and Small Business Australia's executive director Bill Lang stress that now is the time for owners and directors to plan and take action to help their business survive after the government's relief measures end

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4 types of influence and how to make them all work for you

Every business owner has been affected by COVID-19. While many have lost revenue, some have risen to the challenge and found a way to pivot online. With restrictions now easing, those businesses opening up are doing so because of their strong online influence, writes Nicola Moras

by Nicola Moras

Strategising the return to work

Since COVID-19 became a reality in Australia and New Zealand, many businesses have had to close their doors, stand down their employees or mandate their staff to work from home. Now, with signals from the relative governments that the worst is over, business leaders are shifting their focus to creating a return to work strategy

| by Ellie Wiseman |

THE RETURN to work strategy encompasses multi-faceted, complex elements – employee wellbeing, health and safety, physical space and layout, logistics, cost implications, legalities, etc – and involves key team members from different parts of the business – HR, IT, risk management, finance, facilities and legal.

Bringing these different points of view into the discussion will enable an organisation to create a strong strategy and carry out a smooth return to work.

Find out what the different teams must consider below.

HR

HR professionals will play a huge role in strategising an organisation's return to work. They must consider two key points of view: logistical and emotional. The former concerns the who, what, where, when and how; HR will likely play a key role in deciding the exact date and time when workers will return to the workplace and will devise the relevant protocols that must be followed to ensure a safe and sustainable return to work.

The "emotional" point of view relates to the overarching employee experience of returning to work. This is far greater than the moment an employee steps into a reopened building; it encompasses every stage of their return to work journey – the anticipation, the morning commute, the reaction upon arrival, etc. It is about employees' mental and physical wellbeing, emotions, concerns and fears – and the unique circumstances that affect them.

When strategising the return to work, HR teams must be advocates for the employee experience and ensure that the decisions made are best for all involved. For example, it's important that HR remember that employees are not returning to work as normal – they are experiencing a different reality and their workplace will most likely reflect this, which may trigger the feeling of discomfort in some employees. Therefore, HR should involve employees in the process, and there should be flexibility around individual circumstances.

Risk management

The purpose of risk management in this scenario is to assess both the short-term and long-term implications of returning to work to minimise any lasting negative impacts. For small and medium-sized businesses, HR will likely be involved in risk management, whereas an enterprise-sized organisation may have a dedicated team.

Conducting an effective risk assessment during the pandemic is about preparing for the unexpected and evaluating all types of risks – financial, operational, strategic and reputational. It is wise to consult internal stakeholders (employees) and external stakeholders (clients and vendors) as well as advisers to gauge additional perspectives and to uncover any gaps in preparation.

Some of the risks an organisation may consider when strategising the return to work are as follows:

Workplace health and safety (WHS) – COVID-19 poses a huge risk to employee health, both physically and psychologically. Even if a business decides to recall its workforce and maintain strict social distancing, the threat of infection remains. Preventing infection will require the enforcement of strict hygiene measures and a rigorous cleaning and sanitisation regime. In the instance that transmission reoccurs, an exit strategy will be required, and this may have negative consequences in terms of cost, reputation and logistics. Under the same umbrella of employee health is mental wellbeing. Organisations must consider that returning to work may have an impact on employees' emotions (e.g. they may be fearful of returning).

Supply chain – Organisations should consider the risks that their external stakeholders are experiencing, and the extent at which it will directly and indirectly affect business operations.

IT

The key consideration of the IT team is the technology infrastructure. For example, office-based workers that have been instructed to work

remotely over recent months may have taken home IT equipment to facilitate their work (e.g. laptops, monitors, keyboards, cables, etc), and IT teams will need the equipment returned so they can reconfigure the office set-up. This will depend on several factors: e.g. which employees/teams are returning to the office – and whether they're returning partially or full-time; and whether the office design will need to be rearranged in accordance with social distancing guidelines. Therefore, to ensure a smooth and efficient re-adjustment process, IT must work with HR to communicate to staff what they must do and bring when they return to the office.

Another consideration for IT is that portions of the workforce may continue to work from home and may still need access to the digital tools they have become accustomed to.

Facilities

For the building facilities team (aka corporate real estate team for enterprise-sized organisations), the main responsibility is reconfiguring the physical workspace to ensure it is safe, socially distanced (in line with government guidelines), and conducive to productivity in the immediate term. The team should work with HR and IT to determine the employee and technological needs of the new layout.

Another area that may need to be reconsidered is the communal kitchen area, which can be potential breeding grounds of the contagion, especially if shared crockery and cutlery is used.

Legal

When strategising the return to work, organisations should pay close attention to the different laws, regulations and guidelines that are relevant to their industry, size and location. There may also be conflicting laws and information, especially across Australia and New Zealand, which will need to be considered if an organisation operates across countries/states.

According to a professional in the employment law group at McCabe Curwood, the law in Australia states that an employer can direct their workforce to return to the workplace, and disciplinary action can be taken towards those who refuse.

However, even if the law permits workers to return to the office, is it the right thing for everyone? Some employees may not feel comfortable returning to work, so adopting a mindful, employee-centric approach is practical. In addition, employees with unique circumstances may require special consideration – such as those with disabilities or carer's responsibilities. Hasty decisions taken now could open up the employer to adverse action or discrimination claims.

It should also be noted that the employer's duty of care extends to those working from home. Therefore, there are several WHS regulations that must be followed for both office-based and remote-based employees.

Financial

When forecasting the return to work transition, there are several financial implications to consider. Business leaders and CFOs should recognise that the way people use workspaces may change in the long term, as well as the short term – especially if more workers choose to remain working from home.

CFOs will likely take a cautious approach to returning to the workplace, anticipating that workplace safety measures will need to be changed and that the site will need to be reconfigured to comply with social distancing.

They may also consider conducting a cost optimisation exercise, which may include imposing hiring freezes, travel bans and reductions of contractors.

The continuation of remote working may also mean that additional IT costs are incurred, such as further investment in tools and software.

Aside from the practical and logistical monetary costs, organisations must consider the reputational cost of returning to the workplace. For instance, if the workforce returns and someone becomes infected, there may be reputational damage, which may impact how a company's customers, competitors and talent pool view them.

Talk of returning to "normal" can be confusing for both employees and employers. In fact, "normal" will look different for everyone and depend on so many factors. However, with an open-minded approach, a willingness to be flexible and diligent preparation, an organisation can navigate the return to work journey in a successful – and safe – way.

Ellie Wiseman
content marketing executive, ELMO cloud and HR payroll

Paws N' All

Taking the lessons gained from years as a small business journalist, Paws N' All founder Adam Zuchetti has set out to change the way pet owners care for their furry friends

Q Describe your business.

Paws N' All seeks to change the way people buy for their pets. Recognising the unique 'pawsonalities' and needs of every dog, we offer personalised gift packs and subscription boxes. By matching pets with right-fit products, we minimise waste and maximise value for our customers.

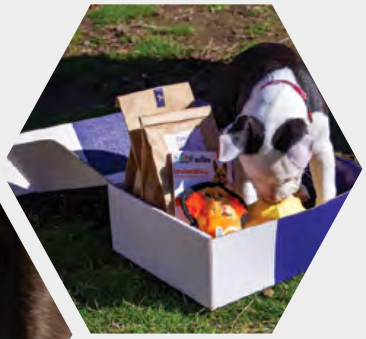
Paws N' All prioritises Aussie product makers and eco-friendly packaging wherever possible, ensuring every dog receives what they need and love without costing the earth.

Q Would you encourage others to go into business for themselves and why?

Yes – but only if you're fully prepared for what it entails.

You effectively have two jobs as a small business owner: doing the actual work (serving customers/clients), and then running the business itself. Just because you're a great accountant/chef/salesperson, doesn't necessarily mean you'll be great at running a business.

If you think you can do both, go for it – it's really rewarding to take control and be your own boss!



Check out Paws N' All
pawsnall.com.au/author/adam/

What are the biggest obstacles to being a business owner?

It's a huge gamble to invest your time and money into a new business, particularly one that is a completely new concept here in Australia.

While COVID has obviously been a boon for e-commerce, it's also created huge strains on transport and logistics, which has been an added challenge to address.

It's also created a lot more uncertainty in the marketplace than there already was.

What business advice do you swear by?

Embrace your mistakes. There are lots more misses than hits in the early days of running your own business. But making mistakes is invaluable to finding the right way forward.

Virtually every entrepreneur and business leader I've ever spoken to has said the same thing: everyone makes mistakes, but those who succeed in business dust them off and try again using the wisdom they learned from those errors.

How did your small business journey begin?

After many years as a business journalist, I kept coming across a common thread: the most successful entrepreneurs typically started with a personal problem they wanted to solve. Mine was that I didn't like the experience of buying pet products: it was time-consuming, expensive and most things are plastic-wrapped and foreign made. I thought there had to be a more convenient, sustainable and value-driven way of shopping for our pets.

Top tips to help your business survive post-stimulus

Jirsch Sutherland's recovery and insolvency specialist Andrew Spring and Small Business Australia's executive director Bill Lang stress that now is the time for owners and directors to plan and take action to help their business survive after the government's relief measures end

| by Andrew Spring |

LIKE THE airplanes that now rarely cross our skies, the government's various relief measures have enabled many businesses to maintain a 'holding pattern' since March. Come September, when certain measures are slated to end, business owners will be forced to break this pattern and revive their companies to meet costs, pay down debts and navigate a new 'business as usual'. And the ones who plan ahead will have a greater chance of survival.

Despite the many challenges facing business owners over the coming months, they have a valuable asset at their disposal: time. Time to plan for now and to work out how and if their business can survive when JobKeeper, payroll tax relief, relaxed insolvency laws and all the other measures end.

Not surprisingly, any business' survival hinges on a healthy cash flow and according to my colleague Bill Lang, executive director of Small Business Australia, in a post-stimulus environment, owners will also need the ability to quickly adapt their business and invest the same passion they had when they first started it to give it a better chance of surviving – and thriving.

According to the Australian Bureau of Statistics, 72 per cent of businesses have taken a revenue hit as a result of COVID-19, while 73 per cent have accessed support measures such as wage subsidies, renegotiated rent/lease, and deferred loan repayments.

Mr Lang's pre- and post-stimulus survival advice includes minimising cash flow, talking to customers and assessing both the current and future markets, paying particular attention to forecasted changes in the demand for products and services and customer behaviours such as working from home.

What small businesses can do now to prepare for the end of the relief measures

The following eight tips can help you prepare your business now for when the relief measures end.

1. Assess your current cash flow and calculate what it will be after September (when JobKeeper and other stimulus measures end).

2. Investigate whether your revenue streams will recover and research opportunities for new streams.

3. Calculate whether you will be able to afford to keep staff on post-JobKeeper.

4. Calculate whether you will be able to meet all deferred payments (e.g. rent, mortgage).

5. Assess whether you will be able to meet your tax obligations.

6. Assess whether you will have the funds to meet the next superannuation payment.

7. Ask yourself: Do I want to hang on or have I lost my passion for the business?

8. Review your personal guarantees, and assess whether your personal assets are at risk (e.g. personal savings, house, car).

Fast forward to September, and ask yourself "how will my business survive without the relief measures and in a marketplace changed by new customer demands and behaviour?" Once again, being on the front foot will undoubtedly help you understand your options and make the right call on your business' future.

10 tips to help your business survive post-stimulus

1. Plan: Plan for an immediate and long-term post-stimulus environment and have a contingency plan should the economy be hit by a second coronavirus outbreak. Planning can include evaluation of your supply chains and ensuring that future access to materials, components and finished goods will not be impacted by another catastrophe.

"DESPITE THE MANY CHALLENGES FACING BUSINESS OWNERS OVER THE COMING MONTHS, THEY HAVE A VALUABLE ASSET AT THEIR DISPOSAL: TIME"

2. Calculate your projected cash flow taking into account whether you will be able to meet both operating costs and deferred payments such as rent, mortgage and tax. This will require calculating whether your revenue streams will recover and whether you can benefit from leveraging opportunities for new streams.

3. Assess your future staffing needs. If your business has experienced change, review your staffing needs.

4. Reduce costs: Where possible, cut costs to minimise further impact on your cash flow.

5. Communicate: With your staff, customers, suppliers and creditors. Keep them abreast of the contingencies you will implement to help your business survive and if needed, negotiate new feasible contracts and terms and conditions.

6. Renegotiate rent/lease terms: If you predict you will struggle to pay your rent, speak with your landlord now and renegotiate existing arrangements.

7. Funding: Engage with your bank/lender to discuss your funding needs or a repayment/interest rate relief, or seek alternative finance.

8. Give yourself more time to recover: The safe harbour and voluntary administration regimes are designed to give companies, and their directors, leniency from creditors and time to 'right the ship'.

9. Reinvent your business: Prepare for the 'new dawn' – whether it's restructuring your business or restarting with a new model, strategy or market.

10. Seek help if you are struggling: If your mental health is being impacted by your financial stresses or the need to let staff go, speak with a trusted adviser or call Beyond Blue on 1300 22 4636 to talk to a trained counsellor who can provide support and advice.

If you decide your business will be in financial distress or on the brink of insolvent trading when the relief measures end – or before – seeking professional recovery and insolvency advice as soon as possible will give you a greater chance of a better outcome.

A restructure or insolvency practitioner can explain the best early intervention options for your business, including restructure, voluntary administration, and safe harbour. They can also ensure you stay compliant, liaise with creditors, and help you avoid quick-fix solutions such as selling your assets at undervalue, insolvent trading and breaching employment laws that are detrimental to any business' recovery.

Andrew Spring
Jirsch Sutherland's recovery and insolvency specialist

4 types of influence and how to make them all work for you

Every business owner has been affected by COVID-19. While many have lost revenue, some have risen to the challenge and found a way to pivot online. With restrictions now easing, those businesses opening up are doing so because of their strong online influence, writes Nicola Moras

| by Nicola Moras |

THE INTERNET has been a wonderful place for many businesses to grow, but consumers are becoming more discerning about how they interact online. Their BS detectors are particularly heightened, so you've got to find a way to help them see that they can trust you.

There are four main types of influence that every business owner needs to leverage in their marketing, regardless of what is happening in the world economy. Do this so you can cut through the noise, be visible and keep your business going.

Share your expertise

Thought leadership is the method used for sharing and demonstrating your expertise in a certain area. This works for authors, CEOs, accountants and even florists. There is a reason that you do things the way that you do them. It can be helpful for people to learn a bit more about why you do what you do and in the way you do it. What do you stand for and what do you stand against? Why do you use certain techniques and not others?

For instance, a consultant will often use a process with clients to help them. What are the main stages you take your clients through? Or if you're a florist, for instance, you can share why you present flowers in a certain way that will fascinate people who don't understand this.

Be you

The internet is known to be full of trolls, scam artists and people who are out there to make a quick buck without worrying about delivering on services or products. It's disastrous! You need to be seen as different to that. The easiest and most effective way to do this is by being you and showing people who you are. You can do this by sharing stories that complement your thought leadership.

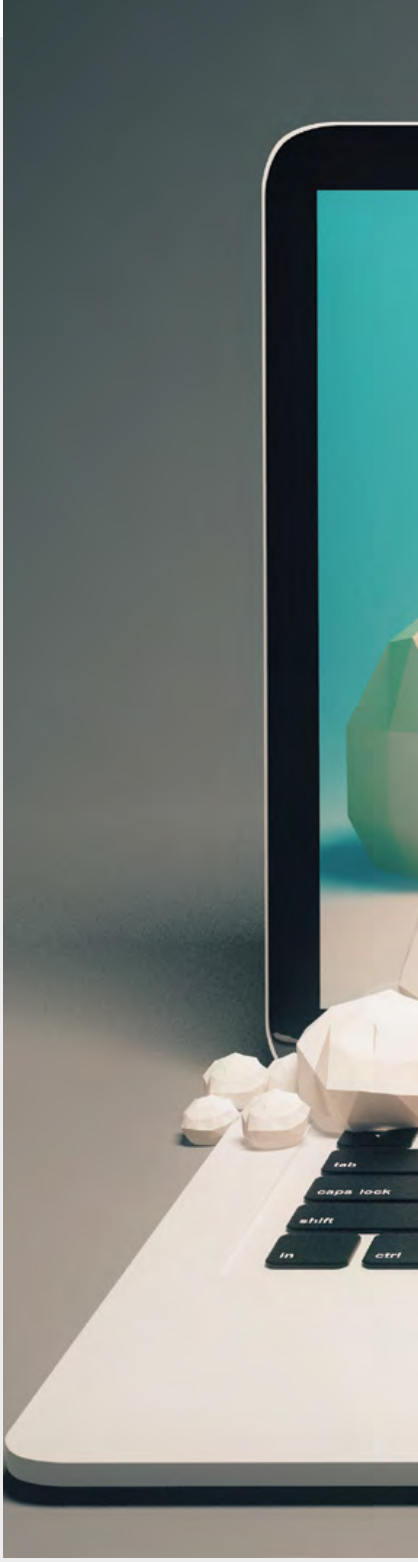
Showing people "behind the curtain" i.e. what happens on a daily basis in your business can inspire people to like you. Sharing some fun things that you do outside of work and even sharing other projects or hobbies you enjoy can do this too. It shows that you're a real human, not a fake. Not a scammer and not someone who is going to rip them off.

Robert Cialdini says in his book *Influence* that one of the Pillars of Persuasion is likeability. When people see that you are like them or that they like you, they are more likely to buy from you. Do this by sharing the real you.

Online influence

The key to creating online influence is leveraging the two above points and adding consistency into the mix. Marketing is all about helping people to get to know, like and trust you. Showing up consistently on the internet is one of the simplest ways you can create this.

Commit to showing up every day online, so that when people come across you, they can see who you are, what you're like and that you are not one of the rogues. Share your ideas, your thinking and your expertise online. People will love you for it.



Offline influence

When you're in a room with people, you have all your senses working for you. You can read people's body language, you can see

"WHEN YOU COMBINE OFFLINE INFLUENCE WITH ONLINE INFLUENCE, YOU HAVE A POWERHOUSE BEHIND YOU, BECAUSE PEOPLE THEN SEE THAT YOU ARE EXACTLY LIKE THE PERSON THEY SEE ONLINE"

the way they interact with people and it can help you to arrive at a decision about if you like that person — or not! People are doing the same with you. When you combine offline influence with online influence, you have a powerhouse behind you, because people then see that you are exactly like the person they see online. This further helps to build confidence in them when they're thinking about doing business with you.

When you leverage all four of these types of influence, you are helping people to see that you are a business to be trusted. They will see that you are someone that they need to work with.

When you have three of these types of influence working simultaneously, you're more likely to be a business that survives when the economy tightens. When it expands, you'll thrive. Start now!

Nicola Moras
online visibility expert and author

Kylie Parker
director,
Lotus Accountants

Long-term impact

In looking at the government stimulus measures it is worthwhile considering the time frame of the measures when contemplating which is the most successful. JobKeeper definitely has provided a short-term lifeline in retaining staff during the lockdown period and hopefully it remains until the initial end provided of 27 September. However, I am seeing many businesses who may not have been impacted adversely financially receive the cash flow boost of up to $100,000, often smaller businesses with few staff who have high salaries who are really being able to use this "bonus" money and build a strong platform for potential business growth.

Businesses that are able to take advantage of the stimulus measures on offer (legally, of course) that may not have been the initial intended recipients are in a great position to consider new product lines, marketing opportunities, hiring more staff, training programs or enabling other business levers that can improve the long-term success of their business.

Q. Which of the stimulus measures – JobKeeper, cash flow boost, instant asset write-off expansion, apprentice and trainee wage subsidies – has had the greatest impact on your small business clients and why?

Mitchell Moroney
director,
Moroney & Associates

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Retaining staff

Upon review of my clients' information, two stimulus measures stand out as the most beneficial – cash flow boost and JobKeeper. The JobKeeper stimulus measure has allowed many businesses to survive and retain their staff, which has been of great assistance, especially with businesses now opening back up. It has also greatly assisted a number of individual clients who may have been working part-time and as a consequence of the incentive, have received a large pay rise.

The biggest financial benefit I have seen has come from the cash flow boost, with some of my clients receiving hundreds of thousands of dollars ($100,000 max per entity). This has allowed businesses to continue operating and in certain circumstances has put the business in a better position than they may otherwise have been in.

It will be interesting to see the fallout once the life support is turned off and what future taxation changes will be made in order to repay the massive stimulus package issued.

Josh Lowe
client manager - tax and advisory,
the Gild Group

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Added bonus

From our small business clients' point of view, we'd have to say JobKeeper has had the greatest impact on them. Although cash flow boost is potentially a greater dollar figure, JobKeeper has been more impactful for the following reasons:

- It is available to a wider range of clients. Mainly, those who haven't ran payroll and therefore miss out on cash flow boost. They can still access JobKeeper as an Eligible Business Participant or sole trader.

- It is working as a replacement of income, as opposed to a credit for a business expense they would normally have (cash flow boost). This is certainly evident from the influx of emails on the first day of the month, with clients wanting to get their next JobKeeper declaration done.

Also, the majority of our clients receiving the cash flow boost are already getting JobKeeper. So, JobKeeper is assisting on the income side, with cash flow boost an added bonus for them on the expense side.

Miriam Holme
founder and senior accountant,
Fab Tax Accountants and
Flinders Accounting

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Saving jobs

All of the stimulus measures have had an impact for our small business clients and have been gratefully appreciated. I can hand on heart say that these measures have tremendously helped the mental health and wellbeing of business owners and employees across Australia during one of the most challenging times we have ever faced.

The financial impact has depended on the industry and the size of the business. JobKeeper, cash flow boost and instant asset write-off have had a widespread impact in the immediate term. Because of JobKeeper, a lot of businesses felt more secure in buying assets before the end of financial year. JobKeeper has certainly been most relevant for sole traders who didn't qualify for any of the other stimulus packages and has saved a lot of jobs from being lost.

Businesses have also greatly appreciated the additional $10,000 state grants offered by most of the states. They have used this extra money to help stimulate local businesses.

The apprentice subsidies and homebuilder grants will also hopefully have a greater impact throughout the rest of the year and construction clients have noticed a directly correlating pick-up in jobs because of this measure.

Register of members

The following list updates the Membership Register of the Institute of Public Accountants. The board of directors extends congratulations to all new members and to those who have advanced in status

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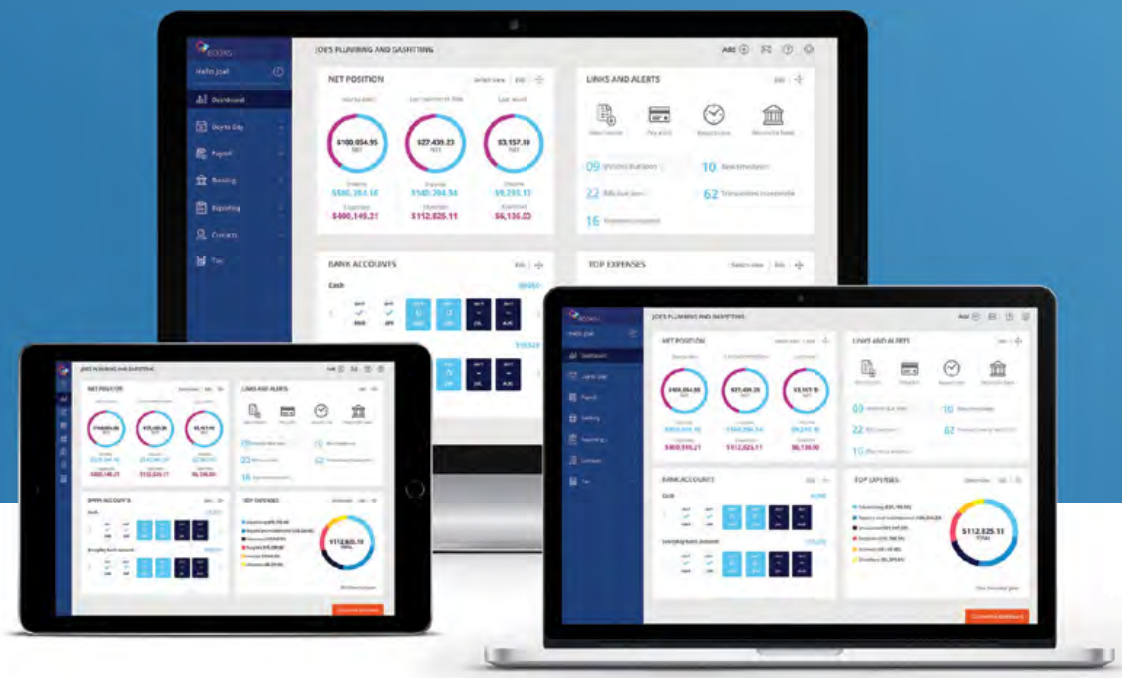

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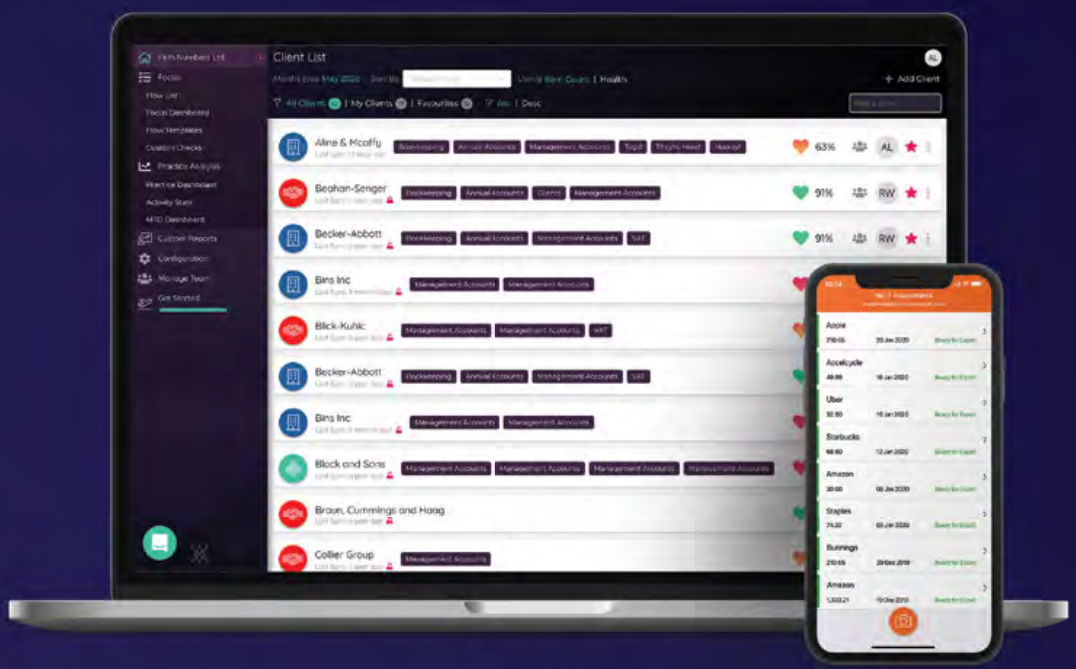

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