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THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

A NEW DAWN

Looking back at 2020 and the year that lies ahead

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Before you is the final edition of the *Public Accountant* magazine for 2020, and the first for 2021.

Join us in saying farewell to the year that changed us – a year of converging crises and cancellations. 2020 dawned with a devastating fire season and swung straight into a pandemic. It's been the year of COVID, the year of the pivot, the year of innovation, the year of devastation, and (as Aussies have put it) the year the bin went out more than the rest of us.

In this edition, as we welcome 2020, we delve straight into our wartime budget, dissecting the all-important small business elements that are poised to prop up our economy until May.

We also bring you an interview with Andrew Conway, the CEO of the Institute of Public Accountants, who looks back and beyond, and shares his hopes for 2021.

We dive into the uneven distribution of the devastation being wrought by the virus globally, and talk about a system in crisis – aged care – exploring the seemingly "ageist mindset" that Australia has drifted into that "undervalues older people and limits their possibilities".

We shine a spotlight on the Association of Accounting Technicians, which recently consummated its close relationship with the IPA, while also trying to find that silver lining and explore the positives of COVID.

Enjoy these articles and more in our new edition.

Merry Christmas and a happy and safe new year!

I hope you enjoy the read and tell us what you think by emailing maja@momentumconnect.com.au.

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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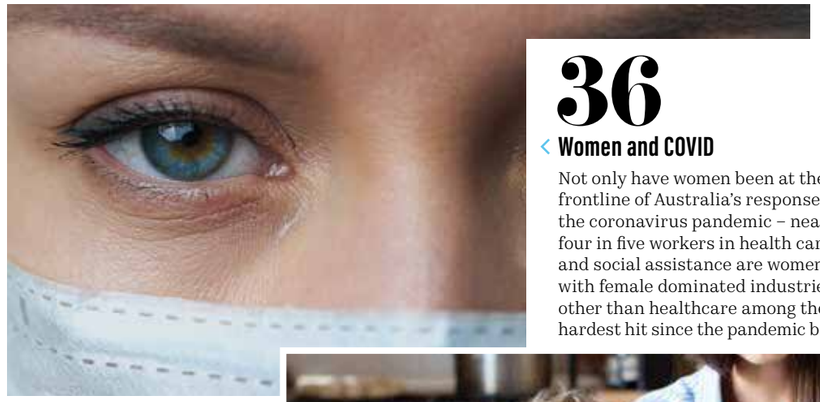

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MOMENTUM CONNECT

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By Wayne Debernardi

Presidents: Passing of batons

AT THE time this publication goes to press, we find ourselves in interesting times. The race for the US presidency is unfolding with close margins between President Donald Trump and would-be president Joe Biden, as they edge towards the magical 270 electoral college votes needed to win the presidency. However, President Trump has already signalled a legal challenge in the Supreme Court, which will only prolong the final decision of who will occupy the White House. One thing is for sure, the polls that had been predicting a 'blue wave' got it horribly wrong.

When I look at the way elections are run in America, I am prompted to say God Bless Australia. However, we must be mindful of how the American election will influence the Australian and global markets. There are stark differences between the candidates across a number of policy areas, including trade, foreign policy, climate change, immigration, healthcare and, most importantly, how to tackle the coronavirus, including the economic response.

At the time of writing, Biden is claiming victory, but we will watch how things pan out if that is the case, with the challenges that may arise through the Supreme Court.

In the meantime, back home, we await the election of another president – the IPA's new president and chairperson, which will be announced at the IPA's AGM.

I think we are all very grateful for the leadership that outgoing president Damien Moore has demonstrated over the past four years. Damien's closing remarks in the 2019-20 annual report give a true reflection of his time as president and, in particular, the last 12 months of his tenure.

An excerpt from Damien's report is as follows:

This past 12 months have been particularly challenging. Large areas of the eastern part of Australia were drastically affected by ravaging bushfires, followed by flooding in some of those affected areas. We were not to know that these tragic times were to continue with the COVID-19 widespread pandemic.

Yet, the IPA team continued to represent members where it counted most and that was evident with the government and the ATO. We worked with the other professional bodies to ensure our voice was heard and this included deferral of lodgement dates and may other achievements.

The IPA's advocacy has been a shining light for the profession, not only representing the best interests of our members but that of the public. It gives me an extraordinary level of pride that whenever the IPA has a conviction on policy reform, it is never shy of making a statement. To know that we are collectively making a difference for better economic outcomes for Australia is both pleasing and exciting.

IPA Group CEO Andrew Conway commended Damien in his tenure as president, saying:

I want to thank board president and chair, Damien Moore, for his ongoing support and guidance over the past four years. I look forward to Damien's continued support of the Institute as his tenure as president concludes in November 2020. On a personal note, I wish to thank Damien for the massive support he has provided to me.

The February-March 2021 edition will feature a report from the new IPA board president and chairperson.

Wayne Debernardi
general manager public affairs, IPA

Follow Andrew Conway
twitter.com/andrewconwayceo

Time to take stock

| Andrew Conway FIPA FFA |

As we close another calendar year, it is difficult not to reflect on the endurance race we have all been running. The COVID-19 pandemic has dominated our lives; our work, our businesses, our families and loved ones; and for many, our health and wellbeing

WHILE THE toll on the economy is obvious, it is these personal factors that are the most important, especially as we head into Christmas and what should be the traditional holiday season.

I am in awe of our loyal members who have made many sacrifices to help their clients and employers in these difficult times. Without accountants, the government stimulus packages and economic initiatives introduced throughout the pandemic would not have had such meaningful impact.

The role of accountants will continue to be called upon as we enter 2021, a year that I hope will be much brighter than the previous one, as we travel further down the road of recovery. With this in mind, I am very pleased to advise that the IPA Deakin SME Research Centre has been successful in attracting a $2.24 million grant from the Department of Innovation, Science, Energy and Resources (DISER).

This announcement was part of the federal budget announcements in October and is part of the government's COVID-19 Response Package to support mental health among small businesses. This grant primarily builds on the National Health and Medical Research Council (NHMRC) project that the SME Research Centre is involved in with Beyond Blue, WorkSafe Victoria, the Institute for Public Accountants (IPA) and MHFA Australia, which attracted funding of $1.2 million.

The NHMRC project is focused on scientifically evaluating the efficacy of using an accountant's professional training program as an intervention strategy to protect and improve the mental health and wellbeing of both accountants and SME owners.

The DISER grant is a world first for the accounting profession and will take us a step further as it specifically funds the design and delivery of a sector-wide accountant, professional development program that upskills accountants to deliver mental health first aid to their SME clients. The training also offers an important avenue for the early identification, management, or prevention of various mental health conditions. However, it is not intended to turn accountants into clinicians.

The grant is provided in recognition of the numerous significant challenges that SME owners are currently faced with due to COVID-19. A 2020 study commissioned by DISER reports that nearly one in three SME owners had identified that they had a diagnosis in the last 12 months of either experiencing stress, depression, or anxiety. We will be relying on your active participation in the program, so please look out for more information on how you can become involved in the new calendar year.

I wish to reiterate that the most important thing we can do is to look after ourselves, our families, our loved ones and each other. Let's all look forward to the bright, new year ahead of us. On behalf of the entire IPA Group Team, I wish you all a very happy and safe Christmas.

IPA calls on govt to kick goals after delivering 'reboot' budget

THE INSTITUTE OF PUBLIC ACCOUNTANTS (IPA) has commended the federal budget designed to create jobs and get Australia moving again but has repeated its call for the government to now address the longer-term need for reform.

"The federal budget released last week is designed to reboot the economy which faces the bumpy road of a pandemic fuelled recovery," said IPA chief executive Andrew Conway.

Mr Conway opined that Australia needs to get the doors of small business and the borders open again, create jobs and get the cash registers humming again, in order to recover and grow in a new 'COVID-normal' world.

"This budget is regarded as being all about 'jobs, jobs, jobs'. However, it is important that we focus on 'reform, reform, reform'; specifically, reform to taxation, reform to regulation and reform to workplace relations," Mr Conway said.

He however applauded the measures taken noting that they all point to important measures designed to provide structural support to small business.

"Most of the tax measures are temporary in nature... we will need the next series of structural reform measures to create the foundation needed for a longer-term prosperity," said Mr Conway.

He underlined that budget announcements are the easier part of the solution.

"The hard part is still to come and that is structural reform which we acknowledge comes with political risk but is essential for sustainability and to reap the benefits of this early investment," said Mr Conway.

"Long-term economic stability and prosperity will only come once we address the structural deficiencies of our tax system and in the broader economy and remove the regulatory burdens that form a wet blanket on small business survival and growth."

$11.1
BILLION
Small business tax gap in 2017-18

$31.2
BILLION
Overall tax gap tax gap in 2017-18

$123
MILLION
Amount FWO recovered in unpaid wages in 2019-20

$120
MILLION
Amount ATO reclaimed in JobKeeper payments

ACCC finalises class exemption enabling small businesses

The ACCC has finalised the class exemption allowing small businesses to collectively bargain with customers or suppliers without having to apply to the watchdog. An ACCC class exemption due to commence in early 2021 will allow small businesses, franchisees and fuel retailers to collectively negotiate with their suppliers and processors, franchisor or fuel wholesaler respectively, without first having to seek ACCC approval.

TPB looks back on 2020, reveals 129% spike in terminations

The TPB conducted 2,400 investigations during the year, resulting in the termination of the registrations of 170 tax practitioners for serious breaches of the Code of Professional Conduct. The Tax Practitioners Board (TPB) has released its latest annual report for what it has characterised as "one of the most challenging years" for the body, on the back of drought, fire, flood and pandemic.

IPA concerned JobMaker may shun small employers

In its submission to government, the Institute of Public Accountants is concerned that the eligibility criteria for the JobMaker credit may immediately eliminate a large number of small businesses, while also disincentivising others to take on more staff. JobMaker is currently being looked into by the Senate economics legislation committee, with a report expected on 6 November.

ASIC chair, deputy chair step down

ASIC chair James Shipton and deputy chair Daniel Crennan have stepped down effective immediately, pending an investigation into their relocation expenses. Speaking before a parliamentary committee, Mr Shipton explained that the Australian National Audit Office (ANAO) had found that the $118,557 in taxation-related expenses paid to him to relocate from the US exceeded the limits set within the relevant Remuneration Tribunal Determinations.

Temporary IR reforms crucial to jobs and businesses, review finds

The temporary industrial relations flexibilities, introduced to support the JobKeeper scheme, were crucial to keeping Australian businesses afloat and workers in jobs during the pandemic, an independent review has found. The review, conducted by Nous Group and tabled in Parliament, found an estimated three out of four employers who accessed JobKeeper had used at least one of the temporary industrial relations flexibilities.

Small business responsible for lion's share of unpaid taxes

The ATO has revealed that small businesses account for the lion's share of unpaid taxes. The small business income tax gap stood at some $11.1 billion in 2017-18, while the total amount of lost tax slipping through the ATO's hands exceeded $31 billion, latest data from the Tax Office has shown. Around 7 per cent of personal and income tax went unpaid in 2017–18, racking up a total loss of $31.2 billion.

IN THE MEDIA

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

Early release of super

"It is understandable that an individual or a small business owner may have cashed in a portion of their superannuation during these difficult COVID pandemic times just to keep their head above water," [Andrew] Conway said. "However, the Early Release Super Scheme relies on self-assessment."

Money Management

Super release eligibility

"The IPA strongly advises individuals who think they may not have satisfied the eligibility rules to contact the ATO and voluntarily explain their situation. A voluntary disclosure may help to avoid or reduce the imposition of penalties."

Andrew Conway, *SMSF Adviser*

Government stimulus

"The various stimulus measures were put in place very quickly, and the ATO, to their credit, have done a fantastic job putting all the infrastructure in place to facilitate the payment of benefits," said Mr [Tony] Greco, noting that a stimulus-dispersal review was very much on the cards from the beginning.

MyBusiness

Debt collection restart

"The ATO will have to tread carefully to ensure it does not push viable businesses too hard too early and allows these businesses to get back onto their feet. For non-viable businesses, some tough calls need to be made going forward."

Tony Greco, *Accountants Daily*

Payment times

"One of the most pleasing things about the proposed legislation is the penalty regime; we believe the penalties prescribed are of sufficient weight to drive the desired behavioural change. Reputational risk should be a key driver of behavioural change."

Andrew Conway, *Business Acumen Magazine*

Insolvency inquiry

"The report recommends that a modernised approach be taken to information, including simplification, use of plain language, using fact sheets, limiting the volume to relevant information and greater use of electronic means. The IPA agrees that we need to demystify the process to enable more informed choices and better outcomes."

Andrew Conway, *Public Accountant Hub*

Lockdown exemption

"We're asking for special treatment and we understand that, and we understand you can't do that willy-nilly, but then again when the federal Treasurer has opened up the eligibility, then more businesses will need help," Mr [Tony] Greco said. "We expect a lot of new business enrolments into JobKeeper associated with stage 4 restrictions, and tax agents should be out there helping impacted businesses obtaining the necessary employee declarations and helping clients access the necessary cash to continue funding payroll.

Accountants Daily

COVID stimulus

"Other countries have also reviewed eligibility criteria now that the worst-case scenarios have not eventuated. New Zealand, for example. We do not support wholesale changes to JobKeeper other than to address some anomalies that have since surfaced as this would erode confidence."

Tony Greco, *MyBusiness*

Committee submissions

Andrew Conway, IPA chief executive officer, said the IPA's submission to the Senate education and employment committees highlighted areas to be addressed, which included the recommendation that legislation should have maximum payment times, preferably 30 days or less.

Money Management

Budget 2020 overview: A look at the key measures

The federal government handed down one of the most anticipated budgets in Australia's history on Tuesday, 6 October, with a number of measures tipped to help small and medium businesses through the coronavirus crisis

IN DELIVERING the budget, Treasurer Josh Frydenberg announced significant tax relief for individuals and small businesses, including a number of other measures such as the JobMaker hiring credit, full expensing to build on the enhanced instant asset write-off, the second Women's Economic Security Statement, a significant boost to mental health support and more.

"Australia's prosperity has been described historically as 'riding on the sheep's back'. Our economic recovery from this crisis will be riding on the back of Australia's small business owners and operators," said IPA chief executive Andrew Conway.

"But we need to create the right economic environment for them by encouraging consumer spending, making it easier to access capital and to give them the confidence to survive, grow and employ."

Below are some of the most standout measures that are expected to provide the critical support small businesses need to build confidence to stay open, rebuild and start employing.

Tax relief for individuals

The government is bringing forward stage two of its personal income tax plan by two years. From 1 July 2020:

- the low-income tax offset will increase from $445 to $700;
- the top threshold of the 19 per cent tax bracket will increase from $37,000 to $45,000; and
- the top threshold of the 32.5 per cent tax bracket will increase from $90,000 to $120,000.

The government will also provide additional targeted support to low- and middle-income Australians. In 2020-21, low-and middle-income earners will receive a one-off additional benefit of up to $1,080 from the low- and middle-income tax offset (LMITO).

According to the government, more than 7 million individuals are expected to receive tax relief of $2,000 or more for the 2020-21 income year compared with 2017-18 tax settings. Low- and middle-income tax payers will receive relief of up to $2,745 for singles and $5,490 for dual income families.

Loss carry-back for businesses

Companies with turnovers of up to $5 billion that are doing it tough as a result of coronavirus will be allowed to offset losses against previous profits on which tax has been paid, to generate a refund, Mr Frydenberg also announced.

The tax refund would be limited by requiring that the amount carried back is not more than the earlier taxed profits and that the carry back does not generate a franking account deficit.

The tax refund will be available on election by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns.

According to the rules, companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

"This will provide a targeted cash flow boost that businesses across the country desperately need," said Mr Frydenberg.

"Normally, businesses would have to return to profit before they can use their losses, however, these are not normal times."

Speaking to *Public Accountant* following the budget reveal, Tony Greco, general manager of technical policy at the IPA, welcomed the reintroduction of this measure, noting that it should be a permanent part of the tax system.

"It provides that automatic stabiliser in the sense that if you have a bad year, you crawl back tax that was paid in an earlier year so you get the benefit of the loss a lot sooner," Mr Greco explained.

"It's a very important feature when an economy goes into recession and COVID is the perfect scenario."

The loss carry-back was first introduced in 2012, but scrapped a year later with the repeal of the mineral resource rent tax. This measure is estimated to deliver $4.9 billion in tax relief to businesses over the forward estimates, and $3.9 billion over the medium term.

Temporary full expensing

The measure that has been hailed the biggest win for business is temporary full expensing, worth $26.7 billion. Under the rules, over 99 per cent of businesses will be able to write off the full value of any eligible asset they purchase for their business.

Namely, from 7:30pm (AEDT) on 6 October 2020 until 30 June 2022, businesses with turnovers of up to $5 billion will be able to deduct the full cost of eligible depreciable assets of any value in the year they are installed.

For small and medium-sized businesses, with an aggregated annual turnover of less than $50 million, full expensing also applies to second-hand assets.

"Building on the successful expansion of the instant asset write-off during the COVID crisis, tonight we go further, announcing the largest set of investment incentives any Australian government has ever provided," said Mr Frydenberg.

"A trucking company will be able to upgrade its fleet, a farmer will be able to purchase a new harvester and a food manufacturing business will be able to expand its production line."

Other eligible assets include computers; tablets; tools for use on a work site such as drills, ladders, tool boxes; equipment like a fridge or a grill; phones; point of sale systems; or anything else that is used in the running of a business.

There is no cap on the value of the new asset that can be claimed, unlike the current instant asset write-off, which has a cap of $150,000.

Small-business entities with an aggregated turnover of less than $10 million are able to deduct the full cost of:

- eligible depreciating assets that are first held, and first used or installed ready for use for a taxable purpose, between the 2020 budget time and 30 June 2022;
- the second element of cost of these assets and of existing eligible depreciating assets incurred between the 2020 budget time and 30 June 2022; and
- the balance of their general small business pool.

If an asset is not eligible for temporary full expensing because it was acquired before the 2020 budget time, the time by which the asset must be first used or installed ready for use to qualify for the enhanced instant asset write-off is extended until 30 June 2021. The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

$4bn

JOBMAKER HIRING CREDIT
To accelerate growth in employment

R&D incentives

The government is providing an additional $2 billion through the Research and Development Tax Incentive.

Under the new package, the proposed $4 million cap on annual cash refunds will not proceed, instead small companies – those with an aggregated annual turnover of less than $20 million – will see the refundable R&D tax offset set at 18.5 percentage points above the claimant's company tax rate. These changes will commence from 1 July 2021 and help more than 11,400 companies that invest in research and development to create the jobs of today and tomorrow.

JobMaker Hiring Credit

Mr Frydenberg has announced a new $4 billion JobMaker Hiring Credit to help accelerate growth in employment during the COVID recovery by giving businesses incentives to take on additional employees that are young jobseekers aged 16 to 35 years old.

The $4 billion will be provided over three years from 2020–21 and will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.

Eligible employers who can demonstrate that the new employee will increase overall employee headcount and payroll will receive $200 per week if they hire an eligible employee aged 16 to 29 years old or $100 per week if they hire an eligible employee aged 30 to 35 years old.

"All businesses, other than the major banks, will be eligible," said Mr Frydenberg.

"Treasury estimates that this will support around 450,000 jobs for young people. Having a job means more than earning an income. It means economic security. It means independence. It means opportunity."

Capped at 12 months, the JobMaker Hiring Credit will also have a maximum amount of $10,400 per additional new position created.

According to the budget rules, to be eligible, the employee will need to have worked for a minimum of 20 hours per week, averaged over a quarter, and received the JobSeeker Payment, Youth Allowance (other) or Parenting Payment for at least one month out of the three months prior to when they are hired.

Mental health aid

The government will provide $7 million in 2020-21 to support the mental health and financial wellbeing of small businesses impacted by COVID-19, including:

- $4.3 million to provide free, accessible and tailored support for small business owners by expanding Beyond Blue's NewAccess program in partnership with the Australian Small Business and Family Enterprise Ombudsman; and
- $2.2 million to expand a free accredited professional development program that builds the mental health literacy of trusted business advisers so that they can better support small business owners in times of distress, delivered through Deakin University.

Women's economic security

The federal government has acknowledged the disproportionate economic effect of the coronavirus crisis on women by announcing a $231 million investment over four years to address the disparity.

Included in the Second Women's Economic Security Package is $90.3 million over three years from 2020-21 for concessional work test arrangements for Paid Parental Leave in response to COVID-19. In particular, the government is relaxing the Paid Parental Leave work test for births and adoptions that occur between 22 March 2020 and 31 March 2021 to allow parents to qualify for the payment if they have worked in 10 of the last 20 months, instead of 10 of the last 13 months, preceding the birth or adoption of a child.

Over four years from 2020-21, $47.9 million will be allocated to increase grants for the Women's Leadership and Development Program, while another $35.9 million has been earmarked over five years from 2020-21 to increase the number of co-funded grants to women-founded start-ups.

$7m

IN 2020-21
allocated for mental health and financial wellbeing of small businesses

Further, the government announced $25.1 million over five years from 2020–21 (including $3 million in 2024-25) to establish a Women in Science, Technology, Engineering and Mathematics (STEM) Industry Cadetship Program to support 500 women working in STEM industries to complete an advanced diploma through a combination of study and work-integrated learning experiences.

In addition, there's $14.5 million over four years from 2020-21 to extend or expand existing initiatives that support girls and women to gain STEM skills and capabilities, including the Women in STEM Ambassador, the Women in STEM Entrepreneurship Grants Program and the Girls in STEM Toolkit.

Over four years from 2020–21, $24.7 million will be invested to streamline the servicing arrangement of ParentsNext and modify the eligibility to provide assistance to parents most in need. Further, $2.1 million over three years from 2020-21 will go towards establishing a Respect@Work Council to assist in addressing sexual harassment in Australian workplaces.

Tax concessions, including changes to FBT

Businesses with an aggregated annual turnover between $10 million and $50 million will have access to up to 10 small business tax concessions as part of the 2020-21 budget.

From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up expenses and certain prepaid expenditure.

From 1 April 2021, eligible businesses will be exempt from the 47 per cent fringe benefits tax on car parking and multiple work-related portable electronic devices, such as phones or laptops, provided to employees.

From 1 July 2021, eligible businesses will be able to access the simplified trading stock rules, remit pay-as-you-go (PAYG) instalments based on GDP adjusted notional tax, and settle excise duty and excise-equivalent customs duty monthly on eligible goods. Eligible businesses will also have a two-year amendment period apply to income tax assessments for income years starting from 1 July 2021.

Additionally, from 1 July 2021, the Commissioner of Taxation's power to create a simplified accounting method determination for GST purposes will be expanded to apply to businesses below the $50 million aggregated annual turnover threshold.

Treatment of state and territory government support

The budget made the Victorian government's business support grants for small- and medium-sized business – as announced on 13 September 2020 – non-assessable, non-exempt (NANE) income for tax purposes.

The government explained it would extend this arrangement to all states and territories on an application basis, but that eligibility would be restricted to future grants program announcements for small- and medium-sized businesses that are facing similar circumstances to Victorian businesses.

The government will introduce a new power in the income tax laws to make regulations to ensure that specified state and territory COVID-19 business support grant payments are NANE income.

Eligibility for this treatment will be limited to grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.

Omnibus tax bill passage

Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Bill 2020, which consists of five tax measures announced in the budget, passed Parliament with the support of both major parties three days after the budget reveal.

The bill grouped personal income tax cuts, temporary full expensing, loss carry-back, tax concessions and R&D incentives.

$1.2 billion to help employ 100,000 new apprentices

The government is investing an additional $1.2 billion to help Australian businesses employ 100,000 new apprentices or trainees.

The subsidy will be available to employers Australia-wide who engage an Australian apprentice or trainee from 5 October 2020 until the 100,000 cap is reached.

Employers will be eligible for 50 per cent of the wages for a new or recommencing apprentice or trainee for the period up to 30 September 2021, up to $7,000 per quarter.

$1.5 billion strategy to prop up manufacturing

A total of $1.5 billion in new funding will be invested over the next four years to make Australian manufacturers more competitive through the economic recovery from COVID-19.

The main element of the $1.5 billion Modern Manufacturing Strategy is the $1.3 billion Modern Manufacturing Initiative, which will support projects within six National Manufacturing Priorities, including resources technology and critical minerals processing; food and beverage; medical products; recycling and clean energy; defence; and space.

$800 million digital plan

There is also $800 million being invested to push businesses towards adopting digital technologies to grow their business and help the post-COVID economic recovery.

The big-ticket items of the government's Digital Business Plan include $419.9 million towards the full implementation of the Modernising Business Registers (MBR) program, allowing businesses to quickly view, update and maintain their business registry data in one location.

An additional $256.6 million will go towards developing a digital identity system to enable more secure and convenient engagement with government services, while $28.5 million will be invested in supporting the rollout of the Consumer Data Right to the banking and energy sectors.

In relation to small businesses, $22.2 million will be spent on supporting small business operators take advantage of digital technologies through an expansion of the Australian Small Business Advisory Service – Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package.

It's not just about the money

Andrew McDonald speaks to the great truth of compounding factors that keep MSMEs from success. In his article, he discussed recommendations for policy interventions that could aid MSMEs in overcoming the environmental challenges placed on them

ACROSS THE globe, we continually hear financial commentators and academics highlighting the importance of small and medium-sized enterprises (SMEs) and the role they play in various countries in employment, engines of economic growth, social development, and how they account for large percentages of gross domestic product and as such how the countries' prospects for prosperity and the development of healthy market economies rest on them.

In addition, while access to finance, which restricts their ability to develop and flourish, is high on everyone's list when people talk about the challenges for SMEs, we must ask if it is the only aspect holding back the development of sustainable enterprises — because if it is, then surely it is a simple fix.

Economies, business environments, investment climates, and legal frameworks differ drastically around the globe, and market conditions are not stable in many countries. As a result, a one-size approach does not fit all. However, there are some fundamental aspects/building blocks that exist in varying forms that can provide the foundations to promote growth and competitiveness for small businesses.

Vibrant SME sectors need to be supported by efficient advisory ecosystems that provide easy access to advice, knowledge transfer, and skills training, alongside targeted policy interventions coupled with access to finance.

Access to know-how

Business advice programs can play a significant role in providing tools, training, and expertise to SMEs. These can be delivered via the provision of international advisory services as well as local-based consultancy. However, where these elements are missing or are unaffordable, programs need to be developed to train local professionals to assist them in developing into local consultants.

The areas and work undertaken in this area vary considerably, from basic advisory projects such as financial reporting and systems (to help instil financial transparency) through to more bespoke topics like strategy, marketing, energy efficiency, corporate governance, and many more. Through such an approach, advisory work has a direct impact on SME development and performance, particularly as it helps to increase turnover, assists with job creation, improves productivity, and helps SMEs to develop and grow import/export revenues.

The role of governments and donors in helping to fund these is heavily underestimated.

Policy

An increasing number of countries have developed or are improving their regulatory frameworks and introduced targeted policies to support fintech and promote different initiatives. Examples of these are included in the areas of women in business, youth, immigrants, and incubators for innovation, while others target particular problems and issues for SMEs, such as addressing payment delays (through introducing e-invoicing systems) and opening up government procurement to SMEs through digitalisation.

A strengthened ecosystem removes barriers to accessing finance, provides improved capacity for both public and private institutions to serve SMEs, and ultimately provides platform advocacy for SMEs; this leads to better policies and regulatory support, stronger institutions, and improvements of market effectiveness.

Access to finance

Not all finance is equal. While in general private debt provided by the banking sector has risen over the past decade in more developed countries, SMEs still traditionally look to private sources of capital. As with bank finance, this has tended to be too short in tenor to support growth or too heavily reliant on providing tangible security. The good news is that there is now notable expansion in the use of alternative financing instruments by SMEs, such as factoring, leasing, and hire purchase. Also, to a lesser extent, crowdfunding is playing a role in some markets. In emerging economies, the role of local banks is important but is often supported and supplemented by the international financial institutions (IFIs) who use the local bank to deliver focused programs that help address the policy objectives mentioned above. Many of these come with technical assistance for the banks so that they can develop these activities into sustainable products that they can upscale.

> For example, take Moldova, in which Prime Capital was the first partner of the EBRD Women in the Business program:
>
> - Prime Capital became the first lender in Moldova to join the Women in Business program
> - EBRD will provide US$2 million equivalent in Moldovan lei for on-lending to women-led companies and US$1 million local currency equivalent for micro, small and medium-sized enterprises
> - The Women in Business program has financed 60,000 female entrepreneurs across 23 countries

Not one size fits all

In more developed countries, it is the national government and local government agencies to whom the burden/responsibility falls to develop and finance much of the non-financial work. While in emerging markets there is a greater role played by bilateral donors (predominantly wealthier nations), IFIs, such as the World Bank, International Finance Corporation, and European Bank for Reconstruction and Development (EBRD); and institutions such as the Organisation for Economic Co-Operation and Development and International Council for Small Business co-operate with relevant host governments. In some countries, greater emphasis is on finance, while in others, the transfer of skills and development of basic policy frameworks are urgently needed to allow access to finance to expand.

In Moldova for example, women entrepreneurs are to benefit from greater access to finance as Prime Capital, a local non-bank financial institution, has joined the EBRD Women in Business initiative. Prime Capital will receive a loan of US$2 million equivalent in Moldovan lei for on-lending to women-led businesses. The financing will promote women's entrepreneurship and participation in business by assisting with access to finance, know-how and technical advice.

The initiative is led by the EBRD and funded by Sweden, the European Union, and the EBRD's Small Business Impact Fund, which has Italy, Japan, Luxembourg, South Korea, Sweden, Switzerland, Taipei China, and the US among its donors, as well as the EBRD Early Transition Countries Fund, including Canada, Finland, Germany, Ireland, Japan, South Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei, China, and the UK.

In Moldova, the program builds on the EBRD's extensive consulting experience working with local businesswomen. To date, the bank has helped — through advisory services — over 150 women-led companies to grow. It has also delivered training, mentoring, and longer-term coaching to provide women entrepreneurs with the knowledge and confidence to take the next step.

Prime Capital will also benefit from technical support in order to better serve women-led businesses.

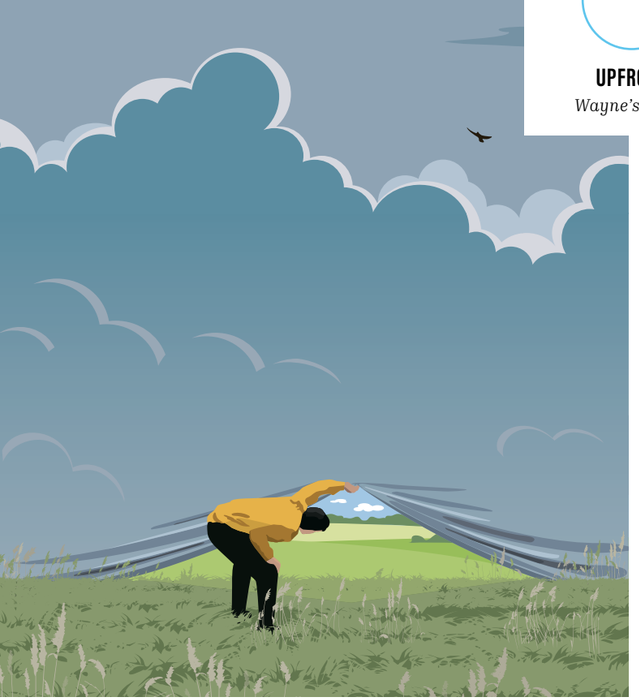
The EBRD's Women in Business program, launched in 2014, is currently operating in 23 countries and has helped more than 60,000 women entrepreneurs to access finance and receive advice for their businesses. The program has provided over €500 million in loans to women-led businesses. In addition, Prime Capital will receive US$1 million equivalent in Moldovan lei for on-lending to micro, small, and medium-sized enterprises in Moldova.

The EBRD is the leading institutional investor in Moldova and has so far invested over €1.3 billion through almost 130 projects. The bank also provides business advice to local small and medium-sized enterprises and has helped about 1,000 Moldovan firms improve their performance and growth.

In conclusion, providing the money is a great start but does it resolve the issues facing SMEs if we want them to be the powerhouses of our economies?

It is undisputed that SMEs need access to finance to grow and develop, but they also need much more. There is no silver bullet solution; rather, it requires a combination of factors to be present and these will vary from country to country and from time to time, but at least we know what the ingredients are. Developing each recipe, however, is the challenge that requires continued and improved co-ordination and co-operation from a cast of characters.

Andrew McDonald
chair, Small Business Investment Committee, the European Bank for Reconstruction and Development (EBRD)



Federal Budget 2020: Another perspective

| by Wayne Debernardi |

OVER THE decades, we have heard the one-liners such as 'this is the recession we had to have'. When the Australian government handed down its federal budget on Tuesday, 6 October 2020, it was a case of 'this is the deficit we had to have'.

Let's put that into context, shall we? The past 12 months has been horrific for Australia. Months of ravaging bushfires, extensive floods and a global pandemic has almost buckled the economy to its knees. If we were to now get a plague of locusts, it could make a fine script for Tim Burton's next horror movie. All he would have to do is resurrect William Pratt, aka Boris Karloff, to lurk in the shadows of Parliament House to make a sell-out.

COVID-19 has left its mark and continues to do so. Just look at Victoria, which is still striving to get out of locked-down mode to reunite with the rest of the Australian civilization. We are, however, still the lucky country. We have had under 1,000 deaths due to the virus compared with the United States with over 210,000, and more than 1 million globally.

But of course, it's a numbers game and so are budgets. Australia's economic outlook has not been this grim since the Great Depression. Even the tide of the GFC that Australia swam through can now be seen as a blimp on the charts by comparison.

The stimulus packages introduced since March 2020 have all but run their course. Millions of Australians are out of work, thousands of businesses are closed; many of them for good.

Governments can raise revenue by increasing taxes but to what point when the country is already bleeding dry. Twelve months ago, Australia was looking forward to black ink on the fiscal bottom line. Now, we have a federal budget that will plummet the country's deficit to a depth never ventured.

However, what choice did the government have? As my father always told me, 'you have to spend it to make it', and Australia needed a huge cash injection and that is what the 2020 budget has delivered. Tax cuts and infrastructure investment to incentivise job growth and consumer spending, which will hopefully see many of our flagging small businesses regain territory lost during the pandemic and have cash registers chiming again.

In addition, the recently introduced insolvency reforms for Australian small businesses will support their recovery, restructure and survival or, alternatively, help them wind down and exit without the personal devastation that is often attached to the process.

A key element of the reforms includes a new debt restructuring process, which will allow small businesses to restructure their debt and improve their chance for survival. Importantly, while accessing a single, streamlined process, the small business owner remains in control of their business. This empowerment will help rebuild small business confidence.

Yes, our small businesses have been battered over the last 12 months and so has the mental health of many small business owners and their families. For this reason, I was pleased to see that the budget afforded attention to this area, with $5.7 billion announced to prioritise mental health and suicide prevention. This is further supported with Medicare-funded mental health consultations increasing from 10 to 20 and to be extended to all Australians.

This year's federal budget hinges on a few assumptions as all budgets do. The 2019-20 federal budget released in April last year was to deliver a $7.1 billion surplus. There were assumptions then too, but who could foresee what this past 12 months has presented?

One key assumption built into the 2020-21 budget as announced by Treasurer Josh Frydenberg was one of securing a successful and effective COVID-19 vaccine.

Many of us Aussies like to have a punt and we are generally eternally optimistic, and although I remain apolitical, this year I am backing the Frydenberg (leap of) Faith and praying for all Australians it doesn't turn into the Frydenberg Flop.

Wayne Debernardi
general manager - public affairs, IPA

ReckonLoans Powered by prospa

Helping small businesses prosper

| by Sam Allert |

AT RECKON, we're transforming the way small businesses access finance. We wanted to make business lending smarter, faster, and easier. That's why we chose to partner with Prospa back in 2015 to create Reckon Loans.

For so many small businesses, accountants have been an absolute lifeline in 2020. As trusted advisers and often the first port of call, accountants have been in overdrive helping small businesses navigate the uncertainty of the pandemic, unpredictable cash flow, and new government stimulus measures. As Australia starts on the road to recovery, their support will be just as important, with businesses across all sectors looking for ways to bounce back.

Timely access to capital will be key and accountants have a vital role to play educating small business clients on the different funding options available. While government support may have boosted awareness of fintech lenders like Prospa, many small businesses still do not realise they have options beyond the banks or dipping into personal finances. Fintechs and non-bank lenders can provide short-term funding designed to meet the varied and niche needs of small businesses, with minimal red tape. And with Reckon Loans powered by Prospa, no asset security is required upfront to access up to $100,000 in Prospa funding.

We know small business owners can be stressed and need a decision quickly so they can plan their next move. An online application through Reckon Loans, powered by Prospa, can take just 10 minutes and a response and funding is possible in less than 24 hours.

As we enter the holiday season, businesses across many sectors are likely to need additional funding, so now is the time to be talking to your clients about their specific requirements. For professional services, December and January can often be a quiet period and a cash flow safety net such as a line of credit can help take some of the pressure off. On the other hand, for those in retail and hospitality, these can be some of the busiest months and stocking up and staffing up could be a top priority.

Whether your clients need cash flow support or funds to fast-track growth, we can work together to help small businesses survive and thrive and set them up for success in 2021. For more information on how we can partner, please visit https://www.reckon.com/au/business-loans/

Sam Allert
CEO, Reckon & Alex Alexandrou, general manager, Reckon

Will the insolvency reforms be enough to save businesses?

| by Vicki Stylianou |

THE INSOLVENCY laws in Australia have been the subject of debate for a considerable period of time. Reforms have been piecemeal and have tackled some issues while still leaving others for another time, which never seems to come. Until now. COVID-19 has forced the government to address many outstanding reform issues (but not all) and the time has now arrived for insolvency to be put under the spotlight.

We have already seen some of the COVID-19 related measures including the relaxation of the insolvent trading laws.

The federal government has previously announced the removal of the risk of a director having personal liability for the debt incurred in the "ordinary course of the company's business". The question of what is in the ordinary course of a company's business was not expressly defined, but it is a term that the courts have often considered in various contexts.

The director will bear the "evidential burden" of showing the exemption applies to her or him if challenged. The amendments do not reduce the general legal obligations upon directors to act in the best interests of the company and its stakeholders. Directors still have legal obligations to the company and to their creditors.

The intention is that relaxing of the insolvent trading laws, together with the safe harbour regime, will provide directors with the opportunity to work through their current difficulties and essentially keep the business going.

The relaxation of the insolvent trading laws has been extended to 31 December 2020. Treasurer Josh Frydenberg announced, "The extension of the temporary changes to the insolvency and bankruptcy laws will continue to provide businesses with a regulatory shield to help them get to the other side of this crisis."

However, some are still planning for the anticipated wave of small business insolvencies. It has been reported that ANZ chief executive Shayne Elliott said that the bank was building up teams to deal with the pain next year.

"We do believe there will be a pick-up in insolvencies next year and we are making sure we are resourced appropriately to deal with that," Mr Elliott told a parliamentary committee. "We are making sure we are preparing from a resources point of view – so adding people – and a cultural point of view – so how to deal with [company failures]."

In preparation for the withdrawal of more government stimulus, and to give businesses a fighting chance of survival, the government is making more changes with the introduction of laws and regulations relating to reconstruction and turnaround, that is, pre-insolvency.

This has been an area of debate for many years and it is unfortunate that now, because of COVID-19, these long-awaited reforms are being rushed through so they can start on 1 January 2021.

The exposure draft of the legislation has been released for consultation and the IPA made its submission to Treasury. However, it should be noted that the devil will be in the detail, that is, in the regulations – and these have not yet been released for consultation. At the time of writing, Treasury was still working on them.

The IPA was extensively involved in the insolvency inquiry undertaken by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), which released its report in July 2020. Our submission reinforced the recommendations made in the ASBFEO's report and added a few more. The main points are:

1. A small business viability review should be introduced as the first stage in the process.
2. Small Business Restructuring Practitioners (SBRP) should be appropriately qualified and regulated.
3. Government should commit to an early review of the reforms to ensure they are working as intended.

Small business viability review

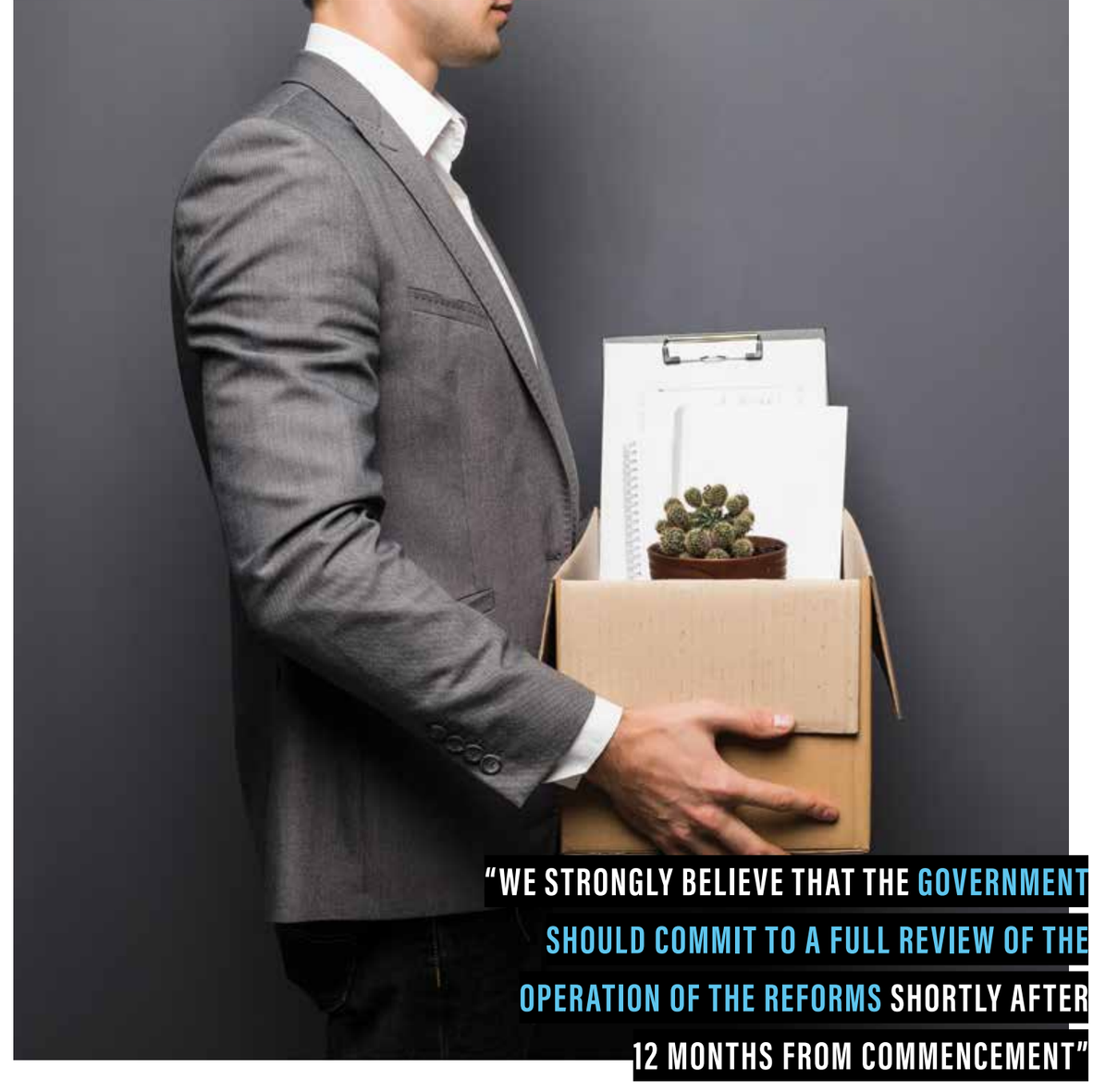
Adding to our support for the ASBFEO's proposal for a small business viability review, we have found widespread member support for this as a first stage in the process, prior to the commencement of any formal restructuring process.

We also support the complementary proposal put forward by the ASBFEO and others that this viability review could be undertaken with government funding through a targeted grant specifically tied to obtaining professional advice from a suitably qualified practitioner. It has been widely documented that all too often, small business owners will not seek help until it is too late or almost too late. In order to prevent small business insolvency (whether as a result of COVID-19 or generally) we believe that it is critical to address some of the underlying issues.

If small business owners can be encouraged to seek assistance before it becomes too late, then the policy objective of preventing small business insolvencies (or saving small businesses to grow into the future) can be further supported and, in fact, strengthened.

We have been advised that many small businesses will not want to be associated with the stigma of insolvency and may stay away from a formal pre-insolvency process. This is another reason to support a business viability review which takes a different, non-threatening and supportive perspective and may be more appealing to small business owners. Likewise, putting a restructuring plan to creditors may be off-putting for small business owners.

On the other hand, a business viability review by a qualified accountant, may have a higher probability of achieving the desired policy outcome of preventing small business insolvency.



Small Business Restructuring Practitioners

The draft legislation is seeking to establish a new category of Registered Liquidator called a Small Business Restructuring Practitioner (SBRP). According to the fact sheet released by Treasury and to our discussions, these would not have to be (but could be) existing Registered Liquidators. They are using the existing rules to establish the new sub-category. The requirements to become an SBRP will be contained in the regulations, which, as mentioned, have not yet been released. The objective is to deal with the anticipated wave of small businesses facing solvency problems when pandemic recovery protections are removed, by broadening the category of professionals that could readily qualify as an SBRP.

We believe that this should include experienced and appropriately qualified practitioners that can diligently and expeditiously undertake an initial viability assessment in the first instance, followed by the preparation of a reconstruction plan if required. To ensure continuity and to expedite the process this could be the same person (but not necessarily).

We support the recommendations of the ASBFEO in respect of the attributes required to qualify as an SBRP professional:

- Be a member of an appropriate professional association, with a code of ethics (which is enforceable against members);
- Hold a public practice certificate and hold appropriate professional indemnity (and any other required) insurance;
- Be appropriately skilled and competent to perform the task; and
- Meet the 'fit and proper person' test on an ongoing basis.

To pre-empt the regulations, IPA submitted that the educational requirements need to meet the level of knowledge and skills to undertake an SBRP role, which means that eligible practitioners could complete, as a minimum, two intensive CPD programs such as those being considered by the IPA's education partner, Deakin University.

It is fairly certain that some level of specialised knowledge will be needed. For this reason, we believe it will be critical to the success of the reforms to closely align the role and functions of the SBRP to the requirements to qualify to be an SBRP.

If the optimal balance between a suitably qualified SBRP and having an effective and efficient process is not reached, then the reforms may be undermined.

For instance, the turnaround process is more than debt restructuring and cash flow reports, which appears to be the focus of the exposure draft. For SBRPs who do not have lengthy experience in insolvency, it may be that appropriate training is required though how much of the process can be 'templated' or reduced to a reliable checklist approach is arguable. Further, experienced insolvency practitioners have referred to requirements such as dealing with creditors, some of whom may be disgruntled.

More specifically, the draft legislation strongly leans on the Voluntary Administration process and Part X Debt Agreements – it may be fair to say that only Registered Liquidators and/or Registered Trustees have the necessary familiarisation and working knowledge of these to ensure the correct administration of the new simplified process.

Further, the interactions of these new insolvency regimes with the existing laws concerning the *Personal Property Securities Act 2009* (PPSA) and Secured Creditor appointments (via a Receivership) also need to be considered.

Given all of the above, it will be critical to strike the balance between achieving a workable, simplified process and suitably qualified practitioners. The regulations will play an important part in the success of the reforms.

How the existing market responds will also depend on whether any restrictions are placed on the commercial viability of this work through prescribed fee structures. We consider it is important not to create an environment where it becomes a 'race to the bottom' where fees can be undercut.

This has happened in the market for SMSF auditors where over a number of years the average fees have gradually and significantly reduced to the point where the ATO has imposed greater scrutiny on the quality of SMSF audits that are being undertaken.

Another issue is that the regulator needs to be adequately funded to carry out this activity. We are concerned that ASIC is inadequately funded to perform its current functions (a point we have made repeatedly over many years) and that it may be under-funded to adequately regulate this new class of practitioner.

Commitment to review

Given the importance of the reforms, the potential for unintended consequences and the fact that they have been rushed into legislation and regulation, we strongly believe that the government should commit to a full review of the operation of the reforms shortly after 12 months from commencement. It is critical to the survival of many small businesses that these reforms operate as intended.

We also believe that the current environment needs to be considered in that the government has recently announced changes to the *Credit Act* and a relaxation of the Responsible Lending Laws, which reverse the responsibility from 'lender beware' to 'borrower beware'.

We understand that second and third tier lenders may occupy the market of lending to distressed small businesses on sub-optimal terms. The likely increase in lending and debt could lead vulnerable businesses into insolvency.

This further supports the need to ensure that small business owners can access competent and trustworthy advice at an early enough juncture. It is also necessary to ensure that the pre-insolvency market operates as intended and that it does not attract unscrupulous practices.

It needs to be and remain fit for purpose.

IPA is consulting with Treasury in the meantime on the regulations and waiting for their release.

So, part two will be coming soon.

Vicki Stylianou
group executive advocacy and policy, IPA

Trillion reasons riding on the back of the federal budget

As expected, the federal budget handed down on 6 October had a number of significant business tax initiatives and job creation policies as its centerpiece to reboot an economy savaged by financial impacts of COVID-19

| by Tony Greco |

THE ECONOMIC shock from COVID has far exceeded what was experienced during the GFC, which represented our most recent blip on a stellar growth trajectory that the Australian economy has enjoyed for close to 30 years.

The federal government's initial response to COVID was to put substantial income support into the economy. Both JobKeeper and cash flow boost were the main initiatives that were deployed early to deal with restrictions put in place that effectively put businesses into a forced coma or hibernation mode.

The federal budget is now trying to transition businesses away from these initiatives to the recovery phase. It is all about incentives in the hope of rebooting business activity by going hard on a number of tax measures and wage subsidies. The gates have been opened wide as some of the tax measures are uncapped and apply to entities with up to a turnover up to $5 billion, which will cover 99 per cent of all businesses.

The government intention is that the business community reacts positively to these concessions. It wants to grow the economy so that businesses start employing people again, especially those that have been displaced during the pandemic. Simple economics at its core and everyone is hoping that it does what is intended as our debt will soar to over a trillion dollars to fund these initiatives. It's akin to adding yeast to flour or fuel to an ember. The economy is made up of individuals and it will require these individuals to spend and the business community to have the confidence to invest and start hiring as economic activity starts to build again.

As promised, the government delivered no tax increases. Its priority is to grow the economy or the economic pie. The core focus is to reduce the unemployment figure to below 6 per cent before it changes its fiscal strategy to budget repair. According to government estimates, the earliest we can expect this to happen is 2023–24 and therefore this is when we can expect to see fiscal repair (higher taxes) kick in. Subdued levels of GDP are to continue and start recovering to normal levels by 2021–22.

	2019-20	2020-21	2021-22	2022-23	2023-24
Underlying cash balance	($85.3bn)	**($213.7bn)**	($112bn)	($87.9bn)	($66.9bn)
Nominal GDP	1.70%	**(1.75%)**	3.25%	4.50%	5.00%
Unemployment rate	7.00%	**7.25%**	6.50%	6.00%	5.50%
CPI	(0.30%)	**1.75%**	1.50%	1.75%	2.00%
Gross debt	$684.3bn	**$872bn**	$1,016bn	$1,083bn	$1,138bn

A lot of the measures are temporary and will result in a pull forward of activity. This will give the government some breathing space to think about all the structural reforms it will need to address to maintain long-term sustainability of the growth generated by the massive business concessions put in place. This is the more challenging aspect, as addressing structural reforms in not easy. Our lagging productivity pre-COVID is partly due to significant reform inactivity over the last two decades. Tax concessions and spending initiatives are easier to implement than significant structural reforms. Most of the tax measures in the federal budget are contained in Treasury Laws Amendment (A Tax Plan For the COVID-19 Economic Recovery) Bill 2020, which passed into law within three days of budget being handed down. The bill included five tax measures, namely backdated income tax cuts, instant asset write-off, loss carry-back, small business concessions expansion and the R&D tax incentive amendments.

Personal tax cuts – Bringing forward stage 2 tax cuts

The purpose of bringing forward the stage 2 tax cuts was to stimulate extra spending in the economy and act as a de facto wage increase for many. Putting more cash into the pockets of middle-income earners who are more likely to spend, was the main driver. Wage growth is almost non-existent, so the tax cut will be a welcomed boost to disposable incomes. Stage 2 tax cuts are retrospective and are effective from 1 July 2020.

The ATO released revised withholding tax tables on 14 October and have advised all employers that they must implement these changes by 16 November. The ATO could not build the accrued tax savings into the new withholding rates. The accrued tax savings will flow to taxpayers when they lodge their 2020-21 tax return, meaning no earlier than from July 2021 next year. This was confirmed by the ATO on 9 October as follows:

"The adjustments to the withholding schedules are designed to ensure that taxpayers have the correct amount of tax withheld from their pay going forward. It is not possible for the ATO to determine the extent of 'over-withholding' that may have occurred for each and every taxpayer as this is highly dependent on individual circumstances and will be different for everyone. Any 'over-withholding' that occurred prior to the employer updating their payroll software and processes will be included in the tax assessment of the employee at the end of the income year."

Building the accrued tax cuts into the remaining months of the year would have been problematic for the ATO. It is anticipated that there will be a rush on early lodgments again next year when taxpayers realise that there is money on the table. Someone earning more than $120,000 has already accrued over $700 of personal tax savings.

The one upside is that taxpayers earning income outside of an employment arrangement who pay tax quarterly as part of their activity statement obligations can immediately vary down their tax obligations to take advantage of the stage 2 tax cuts.

The government flagged early its intention of bringing forward stage 2 of the already legislated Personal Income Tax Plan. What was unexpected was the retention of the low and middle income tax offset (LMITO) until 1 July 2021, as it was meant to be repealed when the stage 2 cuts came into force.

These changes translate into the following savings:

- Someone earning between $45,000 and $90,000 will be $1,080 better off in 2020–21; and
- Someone earning more than $120,000 will pocket an additional $2,565 in 2020–21.

$2,565

The amount someone earning more than $120,000 will be better off

NANE treatment of state and territory government business support grants

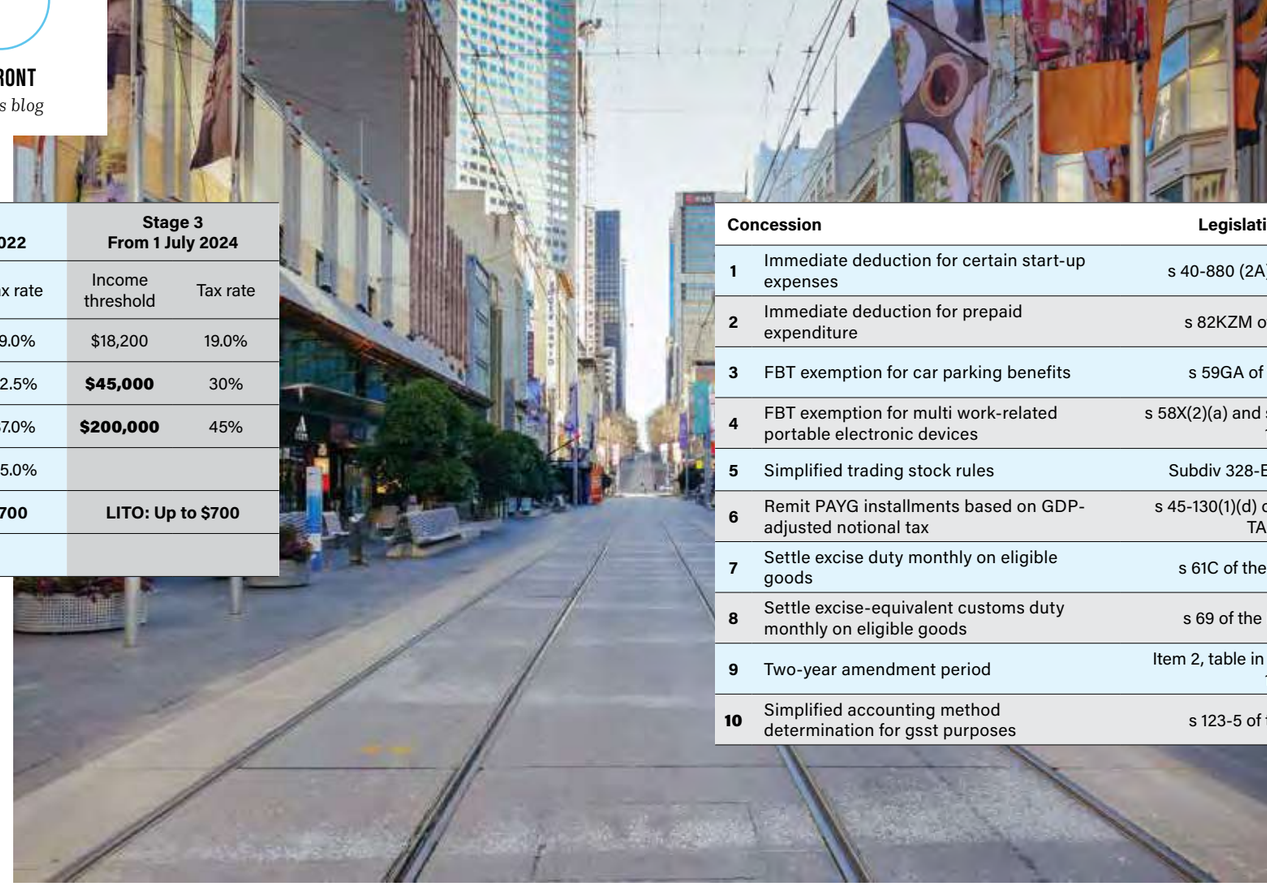
The federal budget confirmed that it will make the Victorian government's business support grants for small- and medium-sized business – as announced on 13 September 2020 – non-assessable, non-exempt (NANE) income for tax purposes.

The federal government will extend this arrangement to all states and territories on an application basis. Eligibility would be restricted to future grants program announcements for small- and medium-sized businesses that are facing similar circumstances to Victorian businesses.

The government will introduce a new power in the income tax laws to make regulations to ensure that specified state and territory COVID-19 business support grant payments are NANE income. Eligibility for this treatment will be limited to grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.

The tax law will provide that all similar state and territory government grants are treated as NANE income. For JobKeeper purposes, these grants would be excluded from current GST turnover as the entity would not be taken as to have made a supply (no reciprocal arrangements) in order to receive the grant.

To 30 June 2018		Stage 1 From 1 July 2018		Stage 2 From 1 July 2022		Stage 3 From 1 July 2024	
Income threshold	Tax rate	Income threshold	Tax rate	Income threshold	Tax rate	Income threshold	Tax rate
$18,200	19.0%	$18,200	19.0%	$18,200	19.0%	$18,200	19.0%
$37,000	32.5%	$37,000	32.5%	**$45,000**	32.5%	**$45,000**	30%
$87,000	37.0%	**$90,000**	37.0%	**$120,000**	37.0%	**$200,000**	45%
$180,000	45.0%	$180,000	45.0%	$180,000	45.0%		
LITO: Up to $445		**LITO: Up to $445**		**LITO: Up to $700**		**LITO: Up to $700**	
		LMITO: Up to $1,080					



	Concession	Legislative reference	Start date
1	Immediate deduction for certain start-up expenses	s 40-880 (2A) of the ITAA 1997	1 July 2020
2	Immediate deduction for prepaid expenditure	s 82KZM of the ITAA 1936	1 July 2020
3	FBT exemption for car parking benefits	s 59GA of the FBTA 1986	1 April 2020
4	FBT exemption for multi work-related portable electronic devices	s 58X(2)(a) and s 58X(4) of the FBTA 1986	1 April 2020
5	Simplified trading stock rules	Subdiv 328-E of the ITAA 1997	1 July 2020
6	Remit PAYG installments based on GDP-adjusted notional tax	s 45-130(1)(d) of Schedule 1 to the TAA 1953	1 July 2020
7	Settle excise duty monthly on eligible goods	s 61C of the Excise Act 1901	1 July 2020
8	Settle excise-equivalent customs duty monthly on eligible goods	s 69 of the Excise Act 1901	1 July 2020
9	Two-year amendment period	Item 2, table in s 170(1) of the ITAA 1936	1 July 2020
10	Simplified accounting method determination for gsst purposes	s 123-5 of the GSTA 1999	Income threshold

The cash flow boost is also NANE income. If you distribute an amount representing the NANE income, the tax consequences will depend on the type of entity making the distribution and can be summarised as follows:

- The tax-free nature of NANE income will be retained where it is received by a sole trader, a partnership, a discretionary trust or a unit trust (there is an exception to CGT event E4 for NANE income in s 104-71 of the ITAA 1997 so no cost base adjustment required);
- The tax-free nature of NANE income is lost when it is distributed by a corporate tax entity to its shareholders as it will represent an unfranked distribution. The corporate entity has the option to frank the distribution to minimise the top up tax paid by shareholders.

Small business concessions extended to cover more businesses

The small business turnover threshold will be increased from $10 million to $50 million. Effectively moving a suite of tax concessions up the food chain to a larger number of entities. Depending on individual circumstances, some of these concessions such as immediate deduction for prepayments can be advantageous as it enables deductions to be brought forward. In relation to the two-year amendment period, there are exceptions so be aware as it does not extend to all taxpayers. Also, in relation to start dates, some of the tax concessions start immediately and apply for the current income year, while others commence as from 1 July 2021. The FBT concessions start from the beginning of the next FBT year namely, 1 April 2021.

The return of loss carry back

Making a comeback is loss carry back. When it was first introduced it was funded by the mineral resource rent tax and when this tax was repealed in 2014, all associated tax measures it funded such as loss carry back were also repealed. Instead of carrying losses forward to be offset against future taxable profits, a corporate entity will be able to claim a refundable tax offset. This effectively means the corporate entity obtains a more immediate cash flow benefit instead of having to wait for a future tax period to offset the carried forward loss. One of its desirable features is that it acts as an automatic stabiliser by providing increased cash flows to businesses during an economic downturn such as what we are experiencing due to COVID.

Loss carry back will be highly attractive for corporate tax entities that were profitable, and paid tax in any of the 2018–19 to the 2020–21 income years, and have made a tax loss in any of the 2019–20 to the 2021–22 income years. Entities will be able to elect to carry an eligible loss back and claim a refundable tax offset or carry it forward under the normal rules. Entities will need to wait till at least the 1 July 2021 in order to get their hands on the cash as the tax offset is only available in the 2020-21 income year or in the 2021-22 income year.

Loss carry back will be more generous than the version that was repealed back in 2014, as the refundable tax offset was capped at $300,000. While the current loss carry back is uncapped, it is effectively limited to the entity's franking account balance and the amount of the entity's earlier taxed profits. It goes without saying that it only applies to businesses that are incorporated. As the majority of small businesses are unincorporated, many cannot avail themselves of this measure.

Immediate deductions for investment in capital assets

The news is good in that we have uncapped expensing of capital assets acquired after 7:30pm on 6 October 2020. And yes, it does mean uncapped subject to normal exclusion of certain assets (i.e. buildings) and the application of the car cost limit. All the revisions to the instant asset write off (IAWO) thresholds from $20,000 to $25,000 to $30,000 to $150,000 and now full expensing, has most practitioners grasping for air trying to keep up with all the changes and dates they apply from.

This is where we have landed for full expensing:

- Acquired after 7:30pm 6 October 2020 installed by 30 June 2022;
- Business with up to $5 billion in aggregate turnover (yes, $5 billion);
- Fully deduct expenditure in first year of use;
- New assets only for large businesses ($50 million - $5 billion);
- SBEs ($10 million) and medium ($50 million) full expensing can apply to secondhand assets; and
- $150,000 instant asset write-off rules still apply – e.g. large business can have a $150,000 write off on second-hand assets to 31 December 2020.
  - In addition, businesses will have an extra six months until 30 June 2021 to first use or install those assets.

Full expensing represents utopia. No tracking of depreciable assets or pooling rules to adhere to and the business obtains the full tax benefit of the outlay. It does not get any better than that. The only downside is if you sell the depreciable asset in a new tax period, the proceeds will represent assessable income as the written down value is nil.

For small business entities (SBEs), they would have been required to write off the balance of their general small business pools if the low pool value was less than $150,000 as at 30 June 2020. If their low value pool was greater than $150,000, they will be required to write off the pool balance on 30 June 2021.

Superannuation

Constant tinkering has been the norm, so no news is good news when it comes to superannuation. The only changes in the budget were around improving transparency and governance issues. One group who is constantly ignored are self-funded retirees. This group is already facing enough headwinds with declining dividends on share investments and almost negligible interest rates on term deposits.

Final word

There is a lot riding on the series of measures put in place to kick start economic activity. There are a trillion reasons riding on it. The government wants consumers to spend and businesses to invest. Both of which will encourage employers to start hiring again. We all have a role to play in the recovery process. The measures now need to generate enough momentum and confidence to jump the gap between JobKeeper receding and consumers and businesses sensing a tangible recovery is here to stay.

Assuming all goes to plan, the government will need to implement a series of structural reforms to maintain the momentum and turn it into long-term sustainable growth, as we cannot keep throwing more borrowed money to generate activity.

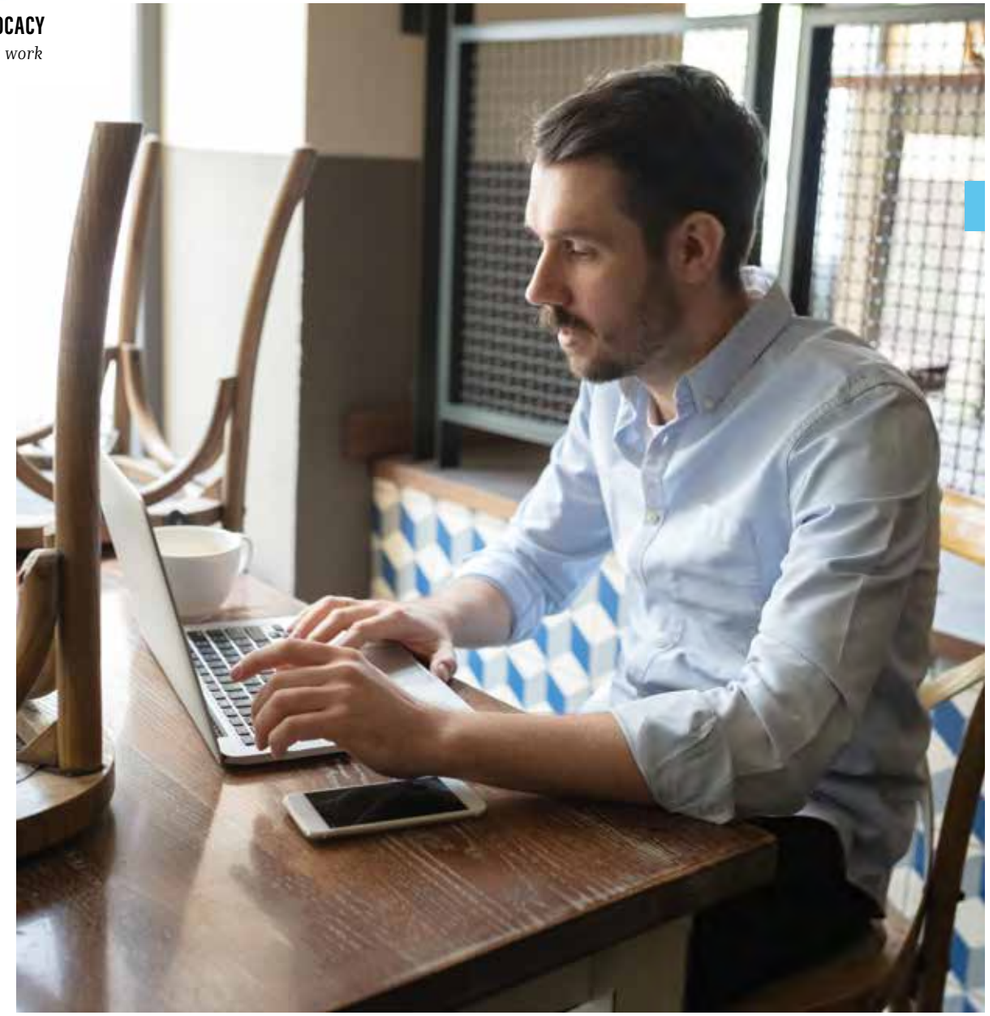
The hard and overdue reforms required to restore and sustain prosperity are now no longer a choice if we are to slowly restore Australia's balance sheet.

Tony Greco FIPA
general manager of technical policy, IPA

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

The IPA's advocacy mission

The Institute of Public Accountants has had another very busy couple of months. Below you'll gain insight into what the IPA has been lobbying government for since the last edition



Second pre-budget submission for 2020-21

The IPA's second pre-budget submission for 2020-21, prepared through a COVID-19 lens, continues to pursue fundamental reforms that will boost productivity growth and ease the disproportionate regulatory compliance burden placed on small business.

The numerous recommendations of the IPA's two Small Business White Papers of 2015 and 2018, which the submission draws upon, are even more relevant as an economic agenda is forged for Australia's post COVID-19 future.

The IPA strongly believes that immediate and tangible incentives must be offered to entrepreneurs and innovators to encourage their entry into, and long-term engagement with, the Australian small business sector. A strong and vibrant small business sector can play an active and vital role in contributing to the economic growth of the Australian economy and help in the recovery ahead as Australia eventually emerges from the pandemic.

Bold tax reform takes on an even greater priority for the government to manage Australia's road to fiscal recovery in a post COVID-19 world. IPA continues to voice its disappointment with the stalled tax reform process. There is also a need for vigorous reform in regulation and workplace relations.

The IPA strongly believes that the government must reassess its industry and innovation policies, digitisation policy, trade, and investment policies considering the pandemic.

The IPA has reiterated its belief that the time has come for all Australians to stand up and put the public interest ahead of political and self-interest. The public interest will be central to the policy development and advocacy effort of the IPA well into the future.

COVID-19

The IPA's advocacy effort has continued to focus on the many challenges presented by the COVID-19 pandemic. We have worked with the key and relevant areas of government and the regulators. Importantly, we have continued to collaborate with the other professional bodies to provide a unified and effective voice for members and the community at large.

IPA COVID-19 related submissions

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

Helping with JobKeeper extension

The Joint Bodies have again offered their assistance to federal Treasury and the ATO as the second phase of JobKeeper is developed and implemented. The Joint Bodies believe that timely, confidential consultation worked effectively during JobKeeper's initial development and they are willing to continue that with Treasury and the ATO as JobKeeper is extended through to 28 March 2021.

Push to continue with JobKeeper payroll tax exemption

The Joint Bodies have again written to the federal government, this time requesting that payroll tax exemptions and concessions are continued in the JobKeeper subsidy extension. The Joint Bodies believe that all further subsidy payments under the JobKeeper scheme, and any future extensions of the scheme, be exempt from payroll tax in all states and territories.

As of December, the Register of Members can be found on the IPA's official website

Insolvency laws reform helps small business

The IPA has commended the federal government's introduction of overdue reforms to the insolvency laws and especially to support small business during these difficult economic conditions due to the COVID-19 pandemic. The IPA consulted widely in preparing its submission on the Exposure Draft: Corporations Amendment (Corporate Insolvency Reforms) Bill 2020 and there was considerable concern that the detail had been left to the Regulations, which are not presently available for consultation. The main points in the submission are that a small business viability review be introduced as the first stage of the process; Small Business Restructuring Practitioners (SBRP) must be appropriately qualified and regulated; and the government should commit to an early review of the reforms to ensure they are working as intended.

Other IPA submissions

No to tax courses converting to legislative instruments

The IPA does not support converting existing proposed guidelines and information sheets for Tax Practitioners Board (TPB) approved courses into legislative instruments. The IPA submission to the TPB said that doing this would codify the requirements as they are today and provide a barrier to ensuring that they remain fit for purpose. The courses under consideration are basic accountancy principles for tax agents; commercial law for tax agents; Australian taxation law for tax agents; and basic GST/BAS taxation principles.

Accountancy benefits in Free Trade Agreement

The IPA, in conjunction with CA ANZ and CPA Australia, strongly supports the negotiation of a deep and comprehensive Free Trade Agreement (FTA) between Australia and the UK, facilitating service industries' growth by reducing barriers to services trade and the movement of professionals and specialists to spur innovation and investment. The group believes that there is great commonality in the accounting, auditing, accounting ethics and accounting education standards between Australia and the UK and a shared approach, style and skills between the two countries' accountancy professions is vital to growing exports and investment in both directions. The group says that the future FTA should facilitate accounting services recruitment in both directions, include mutual recognition of qualifications and allow easier movement of professionals between both markets with greater flexibility in terms of visas.

Standards proposals need sunset clause and correction to entities anomaly

The IPA does not believe that all the proposals in Exposure Draft 302 – Amendment to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities, represent the best outcome for users. The IPA said that although it supports many of ED 302's proposals, the need to create a class of entities that falsely purport to apply Australian Accounting Standards is an anomaly that needs correction. Also, the IPA maintains that the amendments should have a sunset clause limiting the proposals to a term no greater than three years after commencement of the standard.

Class exemption

The IPA strongly advocated to government for the introduction of a 'class exemption' that would provide an exemption from competition law for small businesses to collectively bargain with customers or suppliers, without them having to apply to the ACCC. The ACCC has now finalised the class exemption, which will allow:

- businesses with an aggregated turnover of less than $10 million in the preceding financial year to collectively bargain with customers or suppliers; and
- franchisees and fuel retailers to collectively bargain with their franchisor or fuel wholesaler (respectively) regardless of their size.

The class exemption will be available for businesses to use in early 2021.

The year we survived:

LOOKING BACK AT 2020

with Andrew Conway

As 2020 comes to a close and many of us prepare to say good riddance to a year that changed the world, we sit down with IPA chief executive Andrew Conway to get his take on the impacts 2020 has had on our lives, our health, our finances and our businesses

| by Maja Garaca Djurdjevic |

Q: Andrew, 2020 has been a very challenging year, nothing like any one of us could have foreseen. How have you handled the challenges personally, and how has the IPA adapted to the changing nature of work?

Andrew Conway: So, if we turn our minds back to the end of 2019, we're obviously in the midst of the drought and the bushfires that were plaguing Australia. And I don't think any of us predicted what was about to come in 2020 with the onset of COVID.

So, it has been this continuum, over 12 months, of pressure, external pressure from droughts, bushfire, then floods, and now COVID and then recovery. The economic uncertainty. So, we ourselves, as an organisation, are not immune from those challenges and forces, but also obviously seeing firsthand through our members, the impact on small and micro businesses across Australia.

In many ways we look at it and say, "Well, it underlines and underscores the importance of strong advocacy, strong member support and services".

Because when all of that comes at you, both as an organisation and a business adviser, we really have to be thinking about that oxygen mask principle – making sure that before our members go out into the field to support small-business owners themselves, they are actually ready and able and well enough to do that. Because we often forget that accountants as business advisers, generally speaking, are small and micro businesses themselves.

So, we have to keep that front of mind. But we went into 2020 with very much a growth mindset. We were coming off the back of the black summer of bushfires.

"WE OFTEN FORGET THAT ACCOUNTANTS AS BUSINESS ADVISERS, GENERALLY SPEAKING, ARE SMALL AND MICRO BUSINESSES THEMSELVES"

We were ready to launch into 2020 and support recovery and support the environmental recovery as well. But then of course, COVID hit. So we came out of that growth mindset, developed what I would describe as a survival instinct and that kicked in. And now if I were to label it, I'd say we're in this phase of focusing on our own resilience.

I know that's an often-used word now, but resilience and stability or stabilisation. So, recognising that before we can help members who can then help their clients, we have to make sure that our foundations are strong and stable.

Q: And tell me what it's been like working from home. Having a massive team all in their own corners of Victoria or across the country, what's that been like navigating, not being in the same space?

Andrew: Really trying to encourage team connection has been a real challenge. And I think I couldn't be more proud of the team, the way in which people have managed the transition. So if we think back to March, so we flipped the switch completely on 22 March 2020. So we transitioned to a full remote working model then. Before it looks like we'll be able to set foot back in our head office, it will be over 215 days of working from home. Now that's a significant challenge. The reliance on technologies, stability of connections, being tolerant and accepting of the interruptions that come with working from home, particularly when you're working from home and also your children are remotely learning as well. So, it's just been a very, very different approach.

But again, from the way the team has responded has been incredibly dynamic and accommodating. Also the way in which our staff from outside Victoria and particularly as they have returned to a COVID normal whilst Victorian staff have not, the way in which the team has closed in around each other has been really, really impressive to see.

We often say from an organisational point of view, you never quite understand or see the culture of an organisation manifest until something pushes people as significantly as COVID has.

And I think it's brought out the very best of the culture of the organisation around a genuine care and a genuine respect for each other. And we can write the word respect on these statements and plaster it around the organisation, but what actually matters is when push comes to shove, people do step up and they do genuinely care, and we've seen that in spades as a result of this pandemic response.

Q: And just with your members as well, because you are a member organisation and you're used to hosting events throughout the year, and you've obviously had to cancel these events because of COVID measures and restrictions. So, how's that been, handling that sort of relationship with members and your communication with them?

Andrew: Members obviously are our lifeblood. And when we look at March, we were issuing member invoices at the very peak of the first wave of the pandemic. Probably not the best time to be sending a member invoice out when of course mass uncertainty was around, but what members did ... they stepped up and they said to us, "Now's the time we need you. We need the IPA to be strong. We need it to be resilient and we need to support it."

So, we had over a thousand more members renew by 30 June, than in 2019. And so what it said to us is that members were very keen to hold onto their membership to get the member benefit. And that's really impressive from the way members have supported the institute as well, but also to have feedback about the various policy changes that were coming down the line as well.

They've been very active in providing frank and direct feedback to us, but the way in which we've engaged with them has been quite different. I still reach out to contact new members and welcome them to the Institute and we've still had new members joining in record numbers as well, which is really impressive. But in things like renewals we've said, "We understand this is really uncertain and it's difficult, and your business might be challenged, but we want to work with you to maintain your membership. So, we'll come up with flexible options."

So, I, for example, included my own personal mobile number in our renewal notice. To say to members, "If you've got an issue or if you want to discuss your concerns or queries or just contact us." Now, some have, some haven't, but at least they know we're here for them.

We also changed the way in which we run our member growth teams, which are our teams that go out to grow our membership.

We converted them to being member wellbeing teams. They're making outbound calls to existing members to say just, "How are you going? Can we help you in any way?" And they're just unsolicited quick, check-ins to say, "What can we do to help?"

Members have told us that they appreciated those. And then there's the transition to online learning. We had to take our busiest time of the year for face-to-face learning, which is generally the last quarter of the financial year and convert all those courses online. Our team has stepped up and done a tremendous job in turning the vast volume of training packages to online delivery.

We were quite anxious about that switch, but it worked out so much better than we could have forecast and members also gave us the feedback to say they enjoyed that experience as well.

I don't believe that face-to-face learning has gone. In fact, we are now seeing a transition back to that in other states around Australia, which is really pleasing. But I think what's changed is that, we probably won't see members coming into CBD office locations to do training for two or three hours at a time. I think that model has changed and I think what we're seeing is a transition in how you're getting that information, but while also maintaining a social connection for the residential type learning we'll be returning to shortly.

And just on the education front, one of the other key transitions we made in the wake of the pandemic is to say, "What can we do to change our entire CPD model?"

And so we have ... This is on the back of the work that was done on changing the education standards and approach to create a future-ready profession.

To us, future ready is about three, effective streams of CPD linked to your stage of career. There's the practical knowledge, there's the in focus or the fundamentals, and then there's also the accomplished and advanced CPD.

It's changing the way we're thinking about CPD, and it's allowed us the time (and in a way it's forced us) to introduce this new, what we call the CPD taxonomy of matching your stage of career with a stream of learning. There is the technical knowledge, the professional competence, and then as a professional. Those are the three streams we've changed our CPD to encompass, and that's the matrix we're now using.

Q: And speaking of your members, most of them being accountants and small-business owners, obviously this COVID crisis has kicked that sector the worst. You've said how you're trying to help them as well throughout this whole crisis, but accountants have been at the frontline. How are they doing at the moment? How are things looking?

Andrew: Look, I think generally accountants are holding up okay. But they are under significant pressure. And we saw that in the first wave with the first round of JobKeeper, then JobKeeper 2.0, and the enquiries coming through from small businesses were thick and fast.

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"REFORM THE TAXATION SYSTEM, REFORM THE REGULATION, AND REFORM THE INDUSTRIAL RELATIONS AND WORKPLACE RELATIONS TO REMOVE THOSE BURDENS FROM SMALL BUSINESS"

They are still coming through. And so, for a large amount of time, practitioners in particular were unable to even bill time because they were responding to general queries. We found ourselves having to step up to try and provide that support to members to free them up so that members could potentially divert those client enquiries just to a central resource being the IPA COVID-19 update hub. That's been a particular challenge, I think for members to be able to focus on work that is value adding.

We are hearing directly from members, from regional members, as well as metropolitan members, who say they are under significantly pressure. And I've had members say they literally feel that they are just on the edge of holding it together. And I've put those concerns directly to government. I'm now on the Victorian government's business recovery committee, and I've expressed directly to the Premier and to the ministers, that "If you want accountants to be there as the frontline of economic recovery, you've got to make sure that you're providing settings to ensure that accountants and business advisers are strong and stable and ready for that challenge. Otherwise, it's like building a house on sand."

We want the recovery to be built on a bedrock of quality and of advice that is actually coming from an accountant who is able, willing and ready to provide that advice. So again, that oxygen mask principle, putting it on themselves first before they can actually help other businesses.

We've got a few projects on the go at the moment to try and provide that support right through from clinical support, directly to a practitioner who is at, if you like, the pointy end of their own mental wellbeing and saying, "I actually need someone to talk to." We are finding an increasing demand for those services and we're working with government to streamline access to those services, but then looking at a longer-term view as to how do we equip communities with the education and experience and training they need to support their own community of clients and businesses? We'll have a bit more to say about that as 2021 unfolds, but we're really excited about the body of work that's going into research innovation in small-business owners' mental health.

Q: And speaking of government last year, you were quite happy with the amount of attention you were receiving from the government as a profession, has that changed this year? Given that the government has been quite busy with enacting these measures and that they haven't maybe consulted the accounting profession as much as you guys would have liked.

Andrew: Look, I think it's a fair observation to say that our relationship with government last year was probably more predictable in the sense that it was a typical flow of things.

You have an exposure draft, you have some consultation, you'd interact with ministers, you get your feedback in and it was all much more orderly. Obviously, in the wake of the pandemic we went from policy announcement on things like JobKeeper to enactment of legislation within a week.

Those original timelines that we'd all come to expect were just blown out completely. Government had to move and move quickly. Things like the design of JobKeeper and some of the nuances arising from that probably could have been ironed out with better consultation, but by the same token, you can't let the pursuit of robust consultation get in the way of an immediate-term economic recovery solution.

So, we certainly give government a leave pass on that consultation front. But behind the scenes, there's been a lot of work with groups like the ATO. You could say that our relationship with government has taken a new form, where we are engaging directly with ministers. They are reaching out far more directly, which has been refreshing in a way where it wouldn't be uncommon for me to get a call from a federal minister to say, "Hey, we're about to go with this. What do you think?" Now, that still happened in the past, but the regularity of that's increased.

It's just a different relationship. And I think what's also been important to recognise is the changing role that even advocates like the Australian Small Business and Family Enterprise Ombudsman has taken. Kate Cornell's office has taken on a different role.

They have within their remit the role of advocacy, but I think that's been enhanced significantly in the wake of the pandemic. So, I couldn't be critical of the way the government is responding or has engaged at the federal level. I think at the state level, there's a challenge where state governments are scrambling to identify lines of revenue. They're under significant fiscal pressure.

I appreciate that the Victorian government in particular has being talking about solving a health crisis before the economic crisis, but we do think it is important to advance recovery on both fronts, as we emerged from the health crisis, we should be more advanced on the economic recovery plan than we are perhaps at the state level.

Q: And some of the government measures that we've discussed before as well, obviously we recently saw the budget and a lot in that budget was directed at helping SMEs. But tell me, what have been some of the particular standouts this year? Obviously JobKeeper would be a massive one.

Andrew: There's been a lot of measures and you can have some fatigue about trying to make sense of them all. The easy part for government, from a branding point of view is that they labelled most of the initiatives with "jobs" or "job". So it's been JobKeeper, JobMaker, JobTrainer ... So we get it, it's about jobs and that's important. When we look at the compound nature of those benefits, I think it's important to think about the JobKeeper arrangements, right from the start. Also, the newly announced JobTrainer package needs to be read in conjunction with the government's changes to personal tax cuts, which do affect every Australian, and in particular unincorporated small businesses, which make up 60 per cent of small businesses.

Then the loan guarantee scheme provisions, of course, which have been extended out. Changes to insolvency requirements, as well as the relaxation of the responsible lending provisions of banks. That's not to say that they're not small businesses who are still significantly struggling and who will not come out of this, but I really do hate to think what stats we would be looking at with business closures and wind-ups had those measures not been introduced. I think government does deserve credit on those fronts for the mechanisms.

The combination of those things has created significant benefit. In terms of what do we expect and what would we like to see? I think a couple of things really. More targeted things such as the small-business viability support.

We think it's really important for small businesses to get access to professional and proficient advice as quickly as possible. We think of business viability, a voucher scheme, if you like, or some sort of incentive to engage a professional is really important. And it's pleasing that Kate Cornell as the Ombudsman has also pointed that out as has all the other professional bodies.

So that's on the very hard to-do list, but I think stepping back from all this we need to ask whether we genuinely have a model of regulation in Australia for small business that is suitable and will enable growth and enable recovery?

And I think the answer is, overwhelmingly at the moment, we don't.

We think there's an opportunity for us to reset the settings. So our big-ticket item, if you like, for 2021 and beyond is to advocate the establishment of a small-business administration for Australia.

Now, that would be a new Commonwealth agency that would require – this is where it gets a bit provocative – the referral of powers from the states and territories to the Commonwealth to create a one-stop shop for a small business in Australia, to know what rules and regulations apply to them.

Do you want to operate and start up in NSW and

then trade in Victoria and elsewhere? You should have access to a one-stop shop where you can find out how to do that. This model is used in the US. So, in the US, in the 50s, in the wake of World War II, the US president, [Lyndon] Johnson actually created the Small Business Administration as a post-war recovery agency and it had the target of supporting businesses to start, to grow, to expand or recover. But importantly, if they suffered disaster or were subject to natural disaster, which of course in Australia is all too common, then the agency itself, the Small Business Administration, can step in and support business.

They're also a lender of last resort. So they put real competition into the banking system. We don't always advocate big government, but we do advocate smarter government. We think it's time. We think it's time to actually have a mature conversation about a more efficient model and a site for a small business who wants to start up, who wants to survive and grow. Businesses will know "Here is where the rule book sits, here is where you go to for advice" and away you go, it's there to support you.

Fundamental reform is really critical. So yes, it's good to have government talk about jobs, jobs, jobs, but I think what our focus will be is on reform, reform, reform. Reform the taxation system, reform the regulation, and reform the industrial relations and workplace relations to remove those burdens from small business.

Lockdown
In July, Victoria saw COVID cases surge to more than 700 per day forcing the state into a 112-day lockdown.

Q: Now Andrew, I know that the IPA's reach expands far beyond Australia, obviously into the UK. How are they doing over there? We've seen cases unfortunately pick up again.

Andrew: Yeah, so it's eerily similar, obviously in the wake of a global pandemic no one is immune, no market is immune. And of course, in the UK, as they now are going into their winter, of course, it means that the risk is greater in terms of the spread of the virus. So, the UK government has stepped up the lockdown measures as well. There is significant concern that is pervading the UK economy. The small-business sector and sentiment are very much down. And our members in the UK are having to contend with the notion of yet another wave of the virus and obviously the negative consumer sentiment driving down small-business prospects as well.

So, they are eerily similar, obviously different numbers and everyone's circumstance is different, but the circumstance of members in the UK is almost identical to Australia. We're finding ourselves doing more and more wellbeing support also, there's a peer-to-peer support network that's been created by the team in the UK.

Q: Given everything we have spoken about, are we allowed to be hopeful for 2021?

Thank tech
Andrew taking part in an international meeting from the comforts of his home amid the coronavirus pandemic

Andrew: Well, we have to be. We have to be resilient. We have to be positive. We have to look for those green shoots. We're seeing lower-than-expected unemployment figures across the country, which are positive if you can take a positive out of unemployment figures.

I think what's important, the flip side of that, is that job creation numbers are better than expected. So it does point to those green shoots across the economy. And I think we just have to fertilise those green shoots.

We do have reasons to be optimistic. We look at the prospect of things like a vaccine, which a lot of the economists are saying will be the enabler to a significant recovery, but I would expect that notwithstanding any further wave in Australia, you would expect to see a fairly rapid economic recovery.

A lot of the analysis points to Australia's economic impacts, although it's been severe, it is one of the lower impacts across the developed world. So we are coming at this and starting our recovery from a much stronger position than many other countries around the world. I think we've got a lot to be confident about, a lot to be positive about in Australia.

We just have to proceed with caution, but with a degree of positivity, because we've proven that we can come through some pretty severe adversity. And if we think back, whether you're in Victoria or elsewhere across the country, what we've come through – droughts and floods and bushfires, and now into a global pandemic – we have withstood significant external forces where everything was thrown at small business and at us, our own families and households, and we've come through it.

That's critical for us to hold onto. If that's been possible, to get through in some jurisdictions a nine-month lockdown and emerge from that, we should be confident that we can actually manage this recovery quickly. So, I am optimistic, I think we have to be.

Q: And what about the IPA in 2021, what's on the radar for the team?

Andrew: We've had a plan ready to go since August, actually we've had a return to the office plan, ready to go. So we're ready to return, but I think that's got to be guided obviously by the government authorities and we'll continue to do that. I can see us returning before the end of the year. I can see us getting to some degree of a normal routine by then in a staggered and staged return. Then we'll get to 2021. And I would hope that we'll have pretty much back to normal operation, return of face-to-face learning interactions for members. Our members are saying they're crying out for face-to-face interaction with each other. So we'll look at facilitating that. Our prospects are very solid.

We'll also have a bit to say about changes to the IPA's education program going forward, and then also enhancements to the accounting technician segment as well. So that's another exciting aspect. We brought in the Association of Accounting Technicians into the IPA Group on 30 June this year. And we are working collaboratively on a new certification model for accounting technicians in Australia, which is going to be really exciting – a new CAT which will position the mechanic technician very much within the accounting profession. We have always firmly seen the accounting technician as within the profession and so we're looking to enhance that significantly and then look at growing our market continuously.

Overall, we're coming at this from a very, very strong position, which is great, and that's all built on the back of member support. So yes, there's a lot to do both on the advocacy front, but also on the educational front and really at these times of transition for an economy and for a profession, I think it is fundamental for professionals to think about their own skill set, their own kitbag, do they have everything they need to serve the needs of their clients and employers going forward?

And now's the time really to be investigating scaling up. We've tried to provide as much of that information as we can either free of charge or at below cost levels for members to have access to.

What we're going to see, is that new wave as members come through, this building their education base, knowledge base, to continue to add value to their clients and improve their quality of life.

Q: And Andrew, what's one positive thing that you think you'll take away from 2020? Something that you want to remember it by, other than the COVID pandemic?

Andrew: I think in a way, if there is positive, it's been a forced reset on the pace of life. My wife and I often talk about this, "How do we ever do the running around at the weekends?" The weekdays are busy enough. And if I was zigzagging around the countryside in my role and we do the footy training, the basketball training, netball training, try and squeeze in music lessons and then we get to the weekend ... You end up on some Sunday afternoons saying, "What was all that?"

For us personally, it's been a forced reset and being able to just spend more time together, obviously we're being forced to, but spending more time together as a family. There's no price on that. And if that's kept the community safe and we've been able to withstand a global pandemic, that's obviously great, but from a selfish family point of view, reclaiming that time has been quite invaluable.

WOMEN AND COVID

Where men glow and women suffer

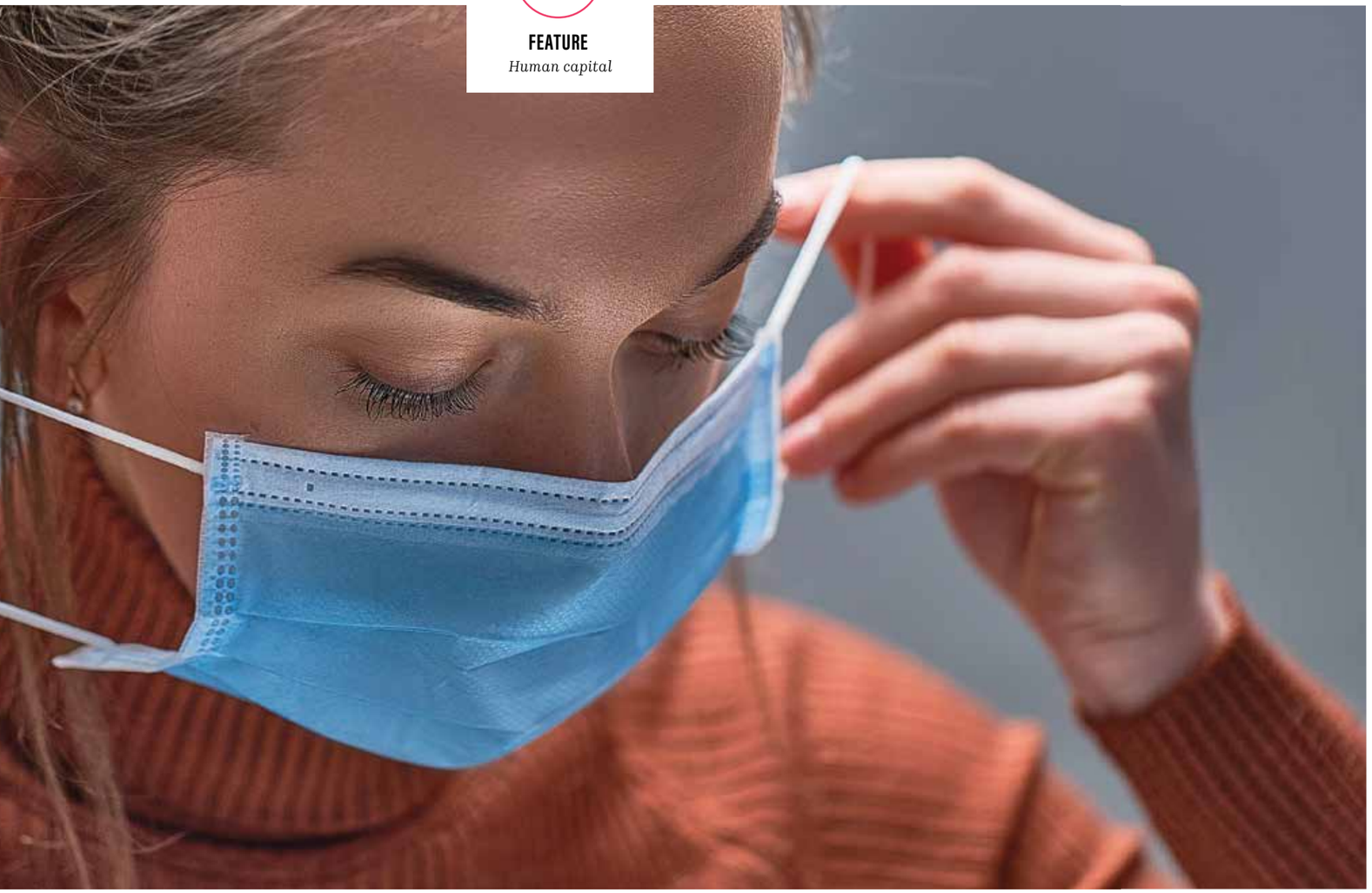
Not only have women been at the frontline of Australia's response to the coronavirus pandemic – nearly four in five workers in health care and social assistance are women – but they've borne the brunt of job losses, with female dominated industries other than healthcare among the hardest hit since the pandemic began

| by Maja Garaca Djurdjevic |

While the coronavirus has resulted in job losses and isolation for people around the globe, it has disproportionately affected women, with figures worldwide pointing to an uneven distribution of the devastation being wrought by the virus. Unlike the previous recession, which led to greater job losses for men, the current downturn is hurting women's employment, with ramifications said to be "gigantic" for women's economic equality.

With over half a million Aussies losing their jobs in April, at the onset of the crisis, a majority (55 per cent) were women. Women's underemployment ratio – where workers would prefer to work more hours – sat at an unprecedented 15 per cent at the height of the crisis in April, compared with 12.6 per cent for men. Moreover, in Victoria in July, women lost jobs at more than four times the rate of men.

In early August, at the onset of Victoria's second lockdown, the CEO of Gender Equity Victoria, Tanja Kovac, said, "This is a difficult week for all Victorians, working together to reduce the spread of the virus in our community, but it's especially tough for women who are losing full-time employment at a higher rate than men across the state (7.3 per cent for women compared to 5.8 per cent for men) and are shouldering more of the care, home education responsibility and risk of violence at home."



As the Financy Women's Index points out, the COVID crisis has battered sectors where women's employment is concentrated, such as accommodation and food services and arts and recreation, giving rise to a high level of anxiety about what it means for the longer-term financial security of women.

And rightly so, because as Financy has found, in just four months of the crisis, four years have been added to the estimated time it will take women to achieve economic equality, blowing out the figure to a staggering 36 years.

7.3
PER CENT
The rate of women in Victoria who are losing full-time employment during COVID, notably higher compared to men at 5.8 per cent

By contrast, it is expected to take 32 years for equality to be achieved in unpaid work, 26 years in the gender pay gap, eight years in the underemployment rate and 18 years in superannuation, 21 years in the participation rate and five years for women on boards.

"As the Financy Women's Index shows, COVID-19 has only exacerbated the divide between men and women in paid and unpaid work," says Nicki Hutley, partner at Deloitte Access Economics.

"Even if we return to the path of improvement seen before the pandemic, we remain a full generation away from achieving equality."

As a result, commentators in the media have labelled the current economic downturn as a "Pink" or "She"-recession.

Bianca Hartge-Hazelman, founder of the Financy Women's Index, agrees with their assessment.

"In my opinion, these are valid concerns because they highlight the current financial disadvantages facing women at a time of weakness," Ms Hartge-Hazelman says.

"What worries me at this point is where we're likely to emerge from this rolling pandemic and what it means for women's progress and the destination of financial equality."

56
PER CENT
The number of women's unpaid labour surged during the lockdown, versus 38 per cent of men

"School closures, concern about infecting grandparents or concerns about sending children to childcare have meant roaming children while parents are working from home," Ms Mousina notes.

"It appears that women have again had the larger share of child-related responsibilities during COVID-19.

"There are some articles flagging academic journal submissions have dropped off more for women than men, showing productivity has been dented potentially from having these other non-work caring responsibilities. Lower productivity growth is an important driver for longer-term wages growth."

In her personal note published in the Financy Women's Index in August, Ms Mousina admits that she can personally attest to these productivity challenges.

"The peak of the pandemic in March-April was very tiring, trying to manage television and radio interviews with an energetic two-year-old singing in the background," she says.

The national report, *The Worsening of Australian Women's Experiences under COVID-19*, backs up these findings, revealing that Australian women's larger care burdens – to children, spouses, and relatives – have resulted in increasing demands for their labour under lockdown, yet much of this work is unrecognised and unpaid.

The study – prepared by Dr Andrea Carson, a La Trobe University political scientist; Associate Professor at the University of Melbourne, Leah Ruppanner; and Dr Shaun Ratcliff of the University of Sydney – revealed that not only did women experience job losses at higher rates than men, while taking on a majority of housework, their health has been severely impacted by the pandemic, with Victorian women particularly vulnerable to anxiety and restless sleep.

"Under the pandemic, Australian women's work, family and health lives have suffered," the report reads.

"Moreover, Victorian women are particularly vulnerable to compounding disadvantage – job loss, business disruption, higher childcare and housework burdens, and more adverse health effects such as sleeplessness and anxiety."

Women to bare brunt of low wage growth

Worryingly, not only are women staying home for the time being, Financy has flagged a significant exodus by women from the workforce altogether. This, the organisation has warned, could lead to an outcome that will endure beyond the pandemic – lower wages growth.

"With higher unemployment now entrenched in Australia for another four or five years, downwards pressure on wages has been exacerbated. And, if we fail to act to address gender imbalances, women will bear the brunt of this," says Ms Hutley.

33
PER CENT
Of women feel underskilled for the future of work, compared with 28 per cent of men

She warns that COVID-19 has only exacerbated the divide between men and women on this front, and that even if we return to the path of improvement seen before the pandemic, we are still a full generation away from achieving equality.

"For many women, caring is a choice not a chore. But for those who wish to pursue a career, there needs to be greater support.

"That means access to affordable childcare, greater flexibility in the workplace, as well as a cultural shift in what is 'women's work'," says Ms Hutley.

"I am encouraged by Millennial attitudes, which seem to be shifting here."

But *The Worsening of Australian Women's Experiences* report also points to an increasing worry among women that their jobs will not only disappear, but that they may never come back.

Namely, nationally, 33 per cent women (compared with 28 per cent of men) are worried they do not have the right skills for the future of work.

But these stark socio-economic inequalities are having far worse consequences, placing the most vulnerable groups of women at an even higher risk of violence.

Women take lion's share of housework

Disturbingly, during the lockdown, women's unpaid labour surged, with 56 per cent (versus 38 per cent of men) working from home, often taking on childcare responsibilities.

Senior economist at AMP Capital Diana Mousina opines that while pre-COVID working and non-working women took the lion's share of housework and child-related responsibilities, the pandemic has just exacerbated these impacts.

"AS THE DOOR CLOSES ON WOMEN'S EMPLOYMENT, THE DOOR ALSO CAN CLOSE ON LEAVING AN ABUSIVE RELATIONSHIP"

1800RESPECT (1800 737 732)
The national sexual assault, family and domestic violence counselling service is available for anyone in Australia who has experienced, or is at risk of, family and domestic violence or sexual assault. 24 hours, 7 days a week.

Domestic violence

According to a recent UN report, emerging data shows that since the outbreak of COVID-19 in March, reports of domestic violence have increased by 30 per cent in France.

In Cyprus and Singapore, helplines have registered an increase in calls of 30 per cent and 33 per cent, respectively. In Argentina, emergency calls for domestic violence cases have increased by 25 per cent since the lockdown on 20 March, while increased cases of domestic violence and demand for emergency shelter have also been reported in Canada, Germany, Spain, the UK and the US.

In Australia, a Women's Safety New South Wales survey reveals that 45 per cent of frontline workers have reported increased requests for help by survivors, and 86 per cent have reported that the cases received have increased in their level of complexity during the COVID-19 outbreak.

"At the start of the pandemic it was not too dissimilar to usual but as time went on more women began reaching out for support, especially those with domestic and family violence," an outer metropolitan domestic and family violence specialist says.

In September, the organisation noted that almost two months since the easing of COVID-19 restrictions in NSW, many victims of domestic and family violence continue to remain at home with their abusers. But, given that the economic and financial impacts of COVID-19 are still ongoing, further concerns about a potential worsening of abuse and ongoing barriers in accessing services and support are being raised.

"Sometimes we are the only contact people have. Families are interstate and they cannot get to them. Services are under strain by the amount of extra calls. Women are unable to leave the home as easily if they have care commitments with vulnerable family members," a regional domestic and family violence specialist says.

33
PER CENT
The increased of domestic violence reports in Singapore since the outbreak of COVID-19 in March, according to a UN report

Responding to reports of increased violence, Professor Cathy Humphreys from University of Melbourne published an article in August titled 'Poverty is trapping women in abusive relationships'.

Ms Humphreys drew attention to a survey of 15,000 Australian women by the Australian Institute of Criminology (AIC), which found that two-thirds of those reporting violence had suffered an increase in violent behaviour during the first three months of the pandemic lockdown. A further survey of Victorian family violence workers by researchers at Monash University found a similar pattern of escalating violence.

"As the door closes on women's employment, the door also can close on leaving an abusive relationship," Ms Humphreys wrote.

The stark reality, the UN says, is that even in the aftermath of the crisis, violence against women and girls will continue to rise, at the same time as unemployment, financial strains and insecurity increase.

The financial impact of COVID-19 is also expected to affect the capacity of local women's organisations, to advocate for policy reforms on violence against women and girls and for service provision to survivors of violence over the long term.

45
PER CENT
The number of frontline workers that have reported increased requests for help by survivors, a Women's Safety New South Wales survey reveals

Government response

While the Australian government has been praised for dedicated funding to support women experiencing violence and to organisations providing services, its contribution to boosting women's participation in the workplace has been slammed by gender equality advocates.

The 2020-21 federal budget has set aside $231 million over four years to address the disproportionate economic affect of the COVID crisis on women.

Handing down the budget in early October, Treasurer Josh Frydenberg acknowledged that women made up the majority of those who lost their jobs during the crisis and promised to bring female workforce participation to its pre-COVID "record high".

His plan to do so focused on three key areas: new cadetships and apprenticeships for women in science, technology, engineering and mathematics; job creation and entrepreneurialism; and women's safety at work and at home.

"The 2020 Women's Economic Security Statement will create more opportunities and choices for women, not just for the recovery but for generations ahead," Mr Frydenberg said.

However, not everyone agrees. "It seems women have been left out of #Budget2020 even though they have been on the front lines fighting the pandemic & they have lost the most jobs," tweeted the secretary of the Australian Council of Trade Unions, Sally McManus, at the time.

"The Morrison government is spending half as much on the women's economic security package as they are on a new computer system for Services Australia," tweeted Labor senator Jenny McAllister.

And, in the days following the budget, the hashtag #CredibleWomen went viral, born out of frustration expressed by many that the budget failed to deliver for women.

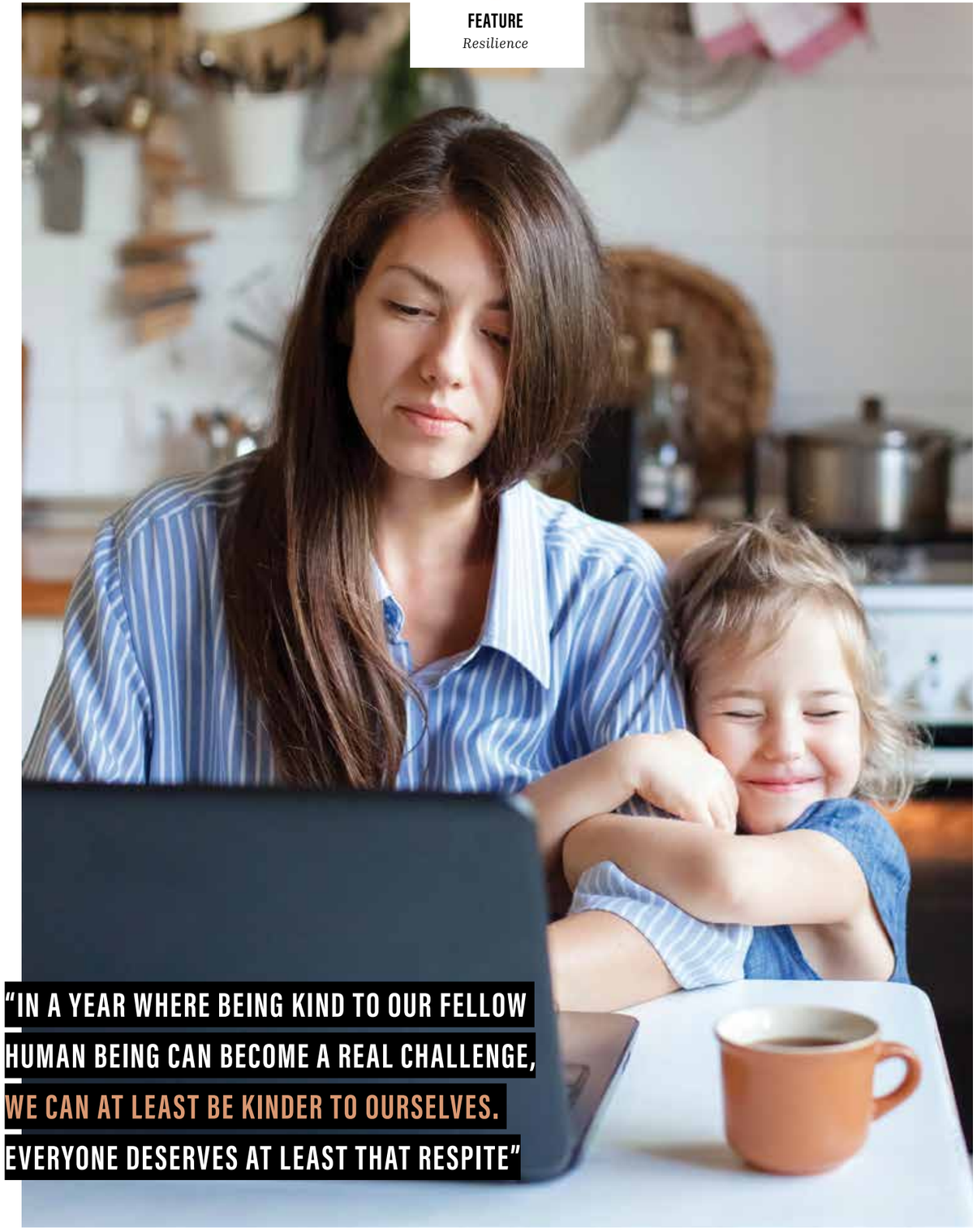
More accurately, the hashtag followed the Prime Minister's response to an article written by advocate and journalist Georgie Dent, who drew attention to a stark fact – that a rough one-third of 1 per cent of the whole budget has been allocated to women's economic security.

According to Ms Dent, she subsequently received a call from the PM who said that "no one credible" was making such a complaint, and that "nothing in the budget is gendered".

Within just a few hours, the hashtag #CredibleWomen was born, gaining over 1,000 angry and credible responses to the budget's dismissal of woman from both sides of the bench.

What many pointed out, including Ms Dent, is that a budget must be 'gendered', meaning it must analyse the discrepancies between men and women, allocating funding where necessary.

Quoting the former sex discrimination commissioner Elizabeth Broderick, Ms Dent told media at the time: "If we don't actively and intentionally include women, the system will exclude them."



"IN A YEAR WHERE BEING KIND TO OUR FELLOW HUMAN BEING CAN BECOME A REAL CHALLENGE, WE CAN AT LEAST BE KINDER TO OURSELVES. EVERYONE DESERVES AT LEAST THAT RESPITE"

Finding the SILVER LINING

For many people, it's been very difficult to have a positive attitude towards much that has happened this year. I reflect on how I've managed to remain optimistic and look at the brighter side of life during 2020

| by Adrian Flores |

A work colleague recently asked me about whether anything good has come from not just the coronavirus crisis but also 2020 in general. After giving the question some serious thought, I had trouble even finding where to even begin answering that question.

After all, disruption continues everywhere you look. The pandemic and its knock-on effects have resulted in many deaths, numerous job losses and an economic collapse not seen in nearly a century. Then there are the ever-stronger damaging effects of climate change, most recently encapsulated in Australia by the Black Summer bushfires in January. Then there is major social upheaval, with Black Lives Matter protests held all around the world following the death of George Floyd. In Australia, Mr Floyd's death put the issue of Aboriginal deaths in custody back in the national headlines. The world is arguably at the lowest point it's ever been, or at least definitely in my 32 years.

But then I thought about my own personal experience of the year that is 2020. Despite the current feeling of dread that seems to be overtaking the world, I personally have approached the year with a sense of optimism that a previous version of myself would never have done.

Somehow, I've remained upbeat through all the madness. So, I decided to unpack why this may have been the case.

Looking to the bright side

Especially now, optimism is seen as something that can be easily interpreted as incredibly arrogant or tone-deaf to the experiences that many other people have been going through. For example, I'm incredibly fortunate that no-one in my immediate family has been known to contract the coronavirus or, worse, die from the disease.

I would never wish on anyone the stories I read and hear of families separated from each other while trying to organise a virtual funeral of a loved one lost to COVID-19 on top of trying to come to terms with their grief. I also still have a full-time job and have been able to comfortably work from home since March.

Who am I to talk about optimism when so many other people through this pandemic have become unemployed, some for the very first time in their lives?

I accept that I've been very lucky through this pandemic in ways that so many others haven't, and that could explain why I've remained optimistic.

Perhaps the events of 2020 have really brought home the idea in my head of counting your blessings and not taking anything in life for granted much more than in previous years.

But this is also a completely new feeling. Through most of my life I've always been the pessimist. This probably comes from feeling burned so many times over the years. It also most likely explains why I've pursued a career in journalism. Normally, my natural response to positive stories has always been one of scepticism – as if there's something about the story that's just not quite right and that it sounds too good to be true. Journalism aside, I still believe a healthy dose of scepticism is something everyone should have as a tool to effectively navigate life's challenges.

But the year 2020 has opened my eyes to the true value of optimism. I've found that optimism means acting with compassion not just towards yourself but also to other people – something the world truly needs more of right now. It is an affirmation that you are acting towards a better future.

Understanding this has left me feeling hopeful about what comes next, despite current events that indicate the contrary. I've been much better at not beating myself up when a day just doesn't seem to go my way. It's OK, I tell myself. Everyone else has had more than a few struggles this year. Realising I'm not alone with this feeling has brought me a strange sense of comfort. In a year where being kind to our fellow human being can become a real challenge, we can at least be kinder to ourselves. Everyone deserves at least that respite.

As someone who's also had a long history of perfectionist tendencies in a way that has not been healthy, I found that perfection no longer became the goal for 2020. Many of us would've had some goals they would have wanted to achieve this year that were just all of a sudden crushed into pieces by COVID.

The goal was no longer perfection but survival. Lowering expectations is not often seen as a positive development. But as someone with a history of perfectionism, this has been a nice shift in expectations and a significant weight off my back. It's OK to revise your goals and not feel like you've failed in some way.

I recall back to when I was growing up and struggling through my formative years. My mum would always tell me to 'never sweat the small stuff'. I used to always recoil at such 'motivational' quotes or sayings. I've really thought about what is worth sweating over in a way I never would have were it not for the events shaping this year. As a Millennial in Australia having never experienced a recession as an adult before this year, I can openly admit that I've sweated over a lot of small stuff over the years. I've realised that what is worth sweating over essentially boils down to three things – family, friends and health. The rest is window dressing.

Speaking of goals for 2020, I got back into running after a small break and wanted to run a full marathon of this year. The event was postponed twice before being cancelled altogether for 2020. Instead of being disappointed or devastated at the cancellation, I instead looked to the positive effects to both my physical and mental health that the training provided. It has made me much more prepared to tackle the marathon in 2021.

Not even an unfortunate accident on a bus a few months ago that left me with cuts and bruises all over my body was able to mentally shake me. In fact, I was more grateful it wasn't worse and I didn't end up with any broken bones or any other long-term injuries and that I've been able to make a full recovery. A younger version of myself would've been incredibly angry and resentful of the situation, particularly towards the bus driver for acting irresponsibly. Now, I'm just grateful I can put that all behind me and move on.

Taking comfort

I'm glad I've kept my spirits up in a year negatively impacting so many. But I also understand that for many people the situation is the complete opposite. My optimism does not dismiss the experiences that other people are going through in any way whatsoever. There's also no 'self-care' epiphany to be had from my own reflections on 2020 that will just suddenly resolve everyone's problems. But I do hope there's some sense of comfort that people can find from reading about my experience.

If so, that's amazing. If not, I also understand that I'm not a professional psychologist or a mental health expert. Thankfully, there are many people out there who are. They are out there and ready to help should anyone feel they need it. More importantly, there is absolutely no shame in seeking their help. Out of all the silver linings I've been able to glean from this year, one that I hope continues in the years ahead is the stigma of weakness around discussing mental health. I believe 2020 has now well and truly shattered that stigma once and for all. Governments allocating ever more funding towards mental health resources in response to the coronavirus shows that the issue no longer sits on the fringes. Mental health is very much in the mainstream.

While I don't believe the world will just suddenly resolve on New Year's Day, I'm left feeling optimistic and hopeful for a better 2021.

HELP IS HERE

If you are suffering from depression, anxiety or suicidal thoughts, or you're worried about someone else and feel that urgent professional support is needed, contact your local doctor or one of the 24/7 crisis agencies below:

Beyond Blue: **1300 22 4636**
www.beyondblue.org.au

Lifeline: **13 11 14**
www.lifeline.org.au

Suicide Call Back Service: **1300 659 467**
www.suicidecallbackservice.org.au

Hidden from view

As of 21 October, 683 of Australia's 905 COVID-related deaths have come from people living in aged care facilities

A SYSTEM IN CRISIS

Australia's aged care system was already in a very dire state for decades. The pandemic has just exacerbated its problems

| by Adrian Flores |

Neglect.

The word pretty much says it all. So much so it became the title of a report from the Royal Commission into Aged Care Quality and Safety, which made some rather damning statements about the sector.

"As a nation, Australia has drifted into an ageist mindset that undervalues older people and limits their possibilities," the report says.

"The system lacks transparency in communication, reporting and accountability. It is not built around the people it is supposed to help and support, but around funding mechanisms, processes and procedures.

"Left isolated and powerless in this hidden-from-view system are older people and their families. 'This is not a life.' 'This is not my home.' 'Don't let this happen to anyone else.' 'Left in her own faeces, and still no one came.' 'Mum doesn't feel safe.'"

You would not be crazy in thinking these statements were in response to the COVID-19 pandemic, in particular Victoria's second wave, which resulted in a disproportionate number of deaths in aged care facilities. But you would also be wrong. They were from the royal commission's interim report – from October 2019. The novel coronavirus wasn't even born then.

Prime Minister Scott Morrison called for the royal commission earlier than that – in October 2018.

COVID-19 fuelling the fire

A year after the interim report, the royal commission put out a special report that put into consideration COVID-19's impact on the country's aged care facilities.

The commission was caught by surprise by the pandemic and had to adjust accordingly.

"When the Prime Minister [Scott Morrison] announced this royal commission in 2018, nobody could have foreseen that the aged care sector would find itself in the grips of a pandemic as we approach the end of our work," the special report reads.

"Like others, we have had to respond to the changes brought about by the pandemic."

The disproportionate impact of COVID-19 on the aged care sector cannot be underestimated.

As of 21 October, 683 of Australia's 905 COVID-related deaths have come from people living in aged care facilities.

Even more shocking is that 653 of those 683 deaths come from Victoria, of which a significant proportion comes from its second wave that began in July.

Even more shocking after that is that 28 of the remaining 30 deaths in aged care are from NSW, most of which come from its first wave back in late March and early April. The remaining two deaths are from Queensland and Tasmania.

Following the royal commission's inquiry into the aged care response to COVID-19, it identified four areas where immediate action should be taken.

First was ensuring enough staff are available to deal with external visitors. Second was an increased provision of allied health and mental health services to people living in aged care. Third was a national aged care plan for COVID-19 from the federal government as well as the establishment of a national aged care advisory body.

The last area of improvement was in the deployment of accredited infection prevention and control experts into residential aged care homes.

Aged care also became a major focal point in the 2020-21 federal budget. It allocated $408.5 million towards improving the aged care system. The major element of that allocation was the delivery of 23,000 home care packages with an estimated cost of $1.6 billion.

In response to the royal commission's COVID-19 report, the federal government added another $1.6 billion towards the sector's pandemic response. Other aged care initiatives include $29.8 million to implement the Serious Incident Response Scheme, $91.6 million over four years to create an independent assessment service for the new residential care assessment and funding tool, and $35.6 million over two years extending the Business Improvement Fund to help restructure residential aged care.

The chief executive of the Council on the Ageing, Ian Yates, broadly welcomed the federal budget, especially the additional home care packages, but also expressed disappointment there was no commitment or plan to get waiting times down to 30 days and ensure no one is prematurely forced into residential care.

"The new home care packages are a substantial step forward and to be applauded, as are the supporters of our 'Safer at Home' campaign who lobbied for this, but we still have a way to go and more will need to be done in the May 2021 budget," Mr Yates says.

Long-term systemic issues

Coronavirus aside, the problems in aged care have been well-documented over a long period of time with successive governments of both persuasions unable to make any significant leeway in repairing the damaged system. The commission highlighted that the system has been the subject of more than 35 major public reviews over the past 40 years.

That doesn't include the numerous internal reviews, studies and consultations commissioned by the Australian Department of Health.

The most notable bureaucratic change occurred in 2010 when the Commonwealth assumed full responsibility for the aged care system as part of the National Health Reform Agreement it negotiated with the states and territories. As for changes that help the older Australians under the system's care, progress has been slow, and many of the government reviews over the past 20 years have identified the same problems.

"Underlying all of these failings is the fundamental reality of loss of autonomy, dignity and wellbeing that too many older people suffer when they enter the aged care system," the commission said.

But perhaps the most searing indictment of the aged care system, of which there have been many, was the commission hearing that, on average, 50 people in residential aged care across Australia are sexually assaulted each week.

Counsel assisting the inquiry Peter Rozen QC told the inquiry that the commission received 588 submissions mentioning sexual assault. Further, it heard that 426 allegations of sexual assault in residential aged facilities were reported to the federal Health Department in 2014-15.

Mr Rozen called the finding "a national shame".

"That number of 426 increased to 790 in the year 2018-19 ... the increase in the reporting of allegations of assault was far greater than could be accounted for by the increase in the number of permanent residents over the same time period," says Mr Rozen.

"Many witnesses have explained they placed their loved ones in residential aged care because they felt it would be safer for them, or because safety was a concern.

"It is therefore entirely unacceptable that people in residential aged care face a substantially higher risk of assault than people living in the community."

The crisis continues

The commission has recommended the federal government report to Parliament on the aged care crisis by no later than December 2020.

Following that, and like pretty much everything else in response to the pandemic, the royal commission's final report will be handed down on the postponed date of 26 February 2021, several months later than the original date of 12 November 2020.

Sweeping reforms to the system will be expected. Even before the handing down of the final report, 124 recommendations have already been put forward by the commission so far.

"We do this now because we do not know how long the pandemic will last. Its end is impossible to predict," says the interim report.

"However, aged care residents continue to suffer and, tragically, some more may die as a result of COVID-19."

Sadly, the aged care crisis looks set to continue for a while yet.

ROYAL COMMISSION INTO AGED CARE QUALITY AND SAFETY

Some examples of substandard aged care from the royal commission

- Inadequate prevention and management of wounds, sometimes leading to septicaemia and death
- Poor continence management, with many aged care residences not encouraging toilet use or strictly ration continence pads
- Dreadful food, nutrition and hydration, and insufficient attention to oral health
- High incidence of assaults by staff on residents and by residents on other residents and on staff
- Common use of physical restraint on residents, not so much for their safety or wellbeing but to make them easier to manage
- Widespread overprescribing, often without clear consent, of drugs that sedate residents
- Patchy and fragmented palliative care for residents who are dying

75.5
PER CENT
The number of Australia's COVID-related deaths that have come from people living in aged care facilities, as of 21 October 2020

"LEFT ISOLATED AND POWERLESS IN THIS HIDDEN-FROM-VIEW SYSTEM ARE OLDER PEOPLE AND THEIR FAMILIES"

Top aged care facilities with the most COVID-19 deaths

Facility	State	Deaths
St Basil's Homes for the Aged in Victoria	VIC	44
Epping Gardens	VIC	37
Baptcare Wyndham Lodge Community	VIC	29
Kalyna Care	VIC	26
Twin Parks Aged Care Centre	VIC	22

Note: *The aged care facility with the most COVID-19 deaths outside of Victoria was Newmarch House Aged Care Facility in NSW with 19 deaths.* ***Source:*** *Department of Health report, 25 September 2020*

JOINING THE CLUB

When the Association of Accounting Technicians Australia joined forces with the Institute of Public Accountants earlier this year, it was the consummation of a close and longstanding relationship

| by Adrian Flores |

On the face of it, the integration of the Association of Accounting Technicians Australia and the IPA Group seems like a no-brainer. Both professional bodies had been working literally side-by-side for the best part of two decades, sharing the same office quarters in Melbourne since 2009.

In 2017, the two bodies entered a service agreement, something which IPA chief executive Andrew Conway said was done to "enhance their capacity to provide end-to-end service for the sector".

Now that service agreement has turned into a full-blown integration. This leads to the next obvious question likely on the mind of its members.

Why now? Why not at any other point in the last 20 years of their relationship?

In response to that enquiry, Mr Conway, AAT's chairman Daryl Koch and CEO Rochelle Park sent out a joint statement to all members addressing precisely that question. Unfortunately, like so many answers to questions along the lines of "why in 2020?", the pandemic and its knock-on effects were major factors in making the integration happen.

"Whilst this integration is necessary in terms of consolidation, sustainability and growth in the pursuit of common aims; it has been brought into sharper focus by the recent economic uncertainty which permeates each and every aspect of our lives," the message read.

Other compelling arguments for the integration are just as straightforward, including a clear strategic fit, a shared commitment to the SME/SMP sectors and greater strength in numbers.

Further, Mr Conway explained that significant new benefits would 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.

"This process is similar to the transition of the IFA (UK) into the IPA Group in late 2014," he said.

The AAT Board approved the integration in May and by July, the integration became official.

Growth through integration

Accounting technicians have carved an ever-greater role in the profession since the global Association of Accounting Technicians was founded in 1980, currently having around 128,000 members and students spanning across around 100 countries.

When it comes to how the body has grown its base over the years, one has to only look at the inherent skill set of accounting technicians and bookkeepers and place it against the major threats facing modern society. Modern technology has created a category of "criminal finance", in particular money laundering, a more serious threat than it ever has been, with many of its victims being the very clients that public accountants serve – small businesses.

In recognition of this threat, the AAT in the UK – not affiliated with the AAT in

"WHILST THIS INTEGRATION IS NECESSARY IN TERMS OF CONSOLIDATION, SUSTAINABILITY AND GROWTH IN THE PURSUIT OF COMMON AIMS; IT HAS BEEN BROUGHT INTO SHARPER FOCUS BY THE RECENT ECONOMIC UNCERTAINTY"

The case for IPA/AAT integration: A checklist

- Clear strategic fit to provide an end-to-end solution for technicians and accountants.
- Building on global trends pointing to a more integrated profession.
- A shared commitment to the SME/SMP sectors.
- Strength in numbers – with more than 40,000 members and students.
- A co-operative work environment to develop new products and services.
- Shared ambition to promote a new certification.
- To build on a longstanding relationship developed in an atmosphere of mutual trust.
- Establish economies of scale to drive efficiencies across the business.
- The greater global reach of a larger, more effective, single organisation.
- A voice of greater resonance in government circles.
- Better able to disseminate best practice throughout the membership.
- Stronger technical support.
- A shared intellectual property investment spread across a larger member base.
- More effective alignment of our educational and member services pathways.
- Enhanced IT systems.

Australia – looked to raising the standards expected of members in combatting money laundering.

It promoted professional compliance with money laundering regulatory requirements by developing and improving the guidance and resources available to members.

As a result, the increased scrutiny and development of a wide range of supporting resources have seen awareness and compliance grow continually year-on-year. In perhaps a reflection of the growing global influence of accounting technicians, the AAT (UK) became a full member of the International Federation of Accountants (IFAC) in 2012, the first accounting technician member organisation in the world to do so. Further, IFAC shared a framework for professional accountancy organisations in February 2019 to support a competent, skilled and future-ready accounting technician workforce.

"Based on the association's competency framework, An Illustrative Competency Framework for Accounting Technicians is a conversation starter," said IFAC's director of quality and development, Joseph Bryson.

"IFAC hopes that every professional accountancy organisation with an interest in the accounting technician qualification shares their experiences and helps to grow this important segment of the global accountancy ecosystem."

Joined forces

The IPA Group is the world's largest SME/SMP professional accountancy group which includes the Institute of Financial Accountants (IFA) in the UK, Institute of Public Accountants and now the Association of Accounting Technicians Australia.

When it comes to global engagement, the AAT (UK) hosted its fifth annual global roundtable in Canada in November last year. Other global efforts include the training of 100 disadvantaged students to achieve the AAT (UK) Level 3 qualification in Malaysia with government assistance, vocational training efforts in Botswana, and helping members in the Gulf region help businesses get on top of new value-added tax (VAT) regulations. Further, the AAT (UK) became an affiliate member of the Confederation of Asian and Pacific Accountants (CAPA) in 2015. The framework for what would become CAPA was first established in 1957 by the then-president of the Philippine Institute of Certified Public Accountants, governor Gregorio Licaros, also the governor of the central bank of the Philippines. Currently, CAPA represents close to 2 million accounts across the Asia-Pacific region and is in fact the largest regional grouping of accountants in the world.

A brighter future for members

Through these partnerships and engagements, the AAT (UK) has embraced the strategy of expansion via partnership.

It is unsurprising then that the AAT in Australia has followed their lead by joining the IPA Group, reassuring its members of what it is able to offer to them.

75
PER CENT
of AAT members valued either continuing professional development opportunities or relevant news and industry updates the most

The IPA currently offers members in practice a dedicated suite of technical and management resources; a comprehensive package which includes practice management software; a wide range of office supplies; access to experts in tax and a broad range of other topics; relevant continuing professional development and other education opportunities; preferential professional indemnity insurance cover; and many more products and services to assist them in either running their practice or being effective accountants working in business.

A greater examination of the findings of the AAT's first-ever survey of members in 2019 revealed some insights into why the integration had to happen in 2020. Approximately a fifth of the AAT members also held a membership with the IPA. As for what members valued the most from the AAT as an organisation, 75 per cent of respondents said either continuing professional development opportunities or relevant news and industry updates.

Almost 54 per cent of its members were still looking to grow their practices. It also found that keeping up with changes in technology was the most pressing challenge, with over 40 per cent citing it as an issue, followed by unbillable hours and hours of work. But what is most intriguing were the cited challenges further down the list, such as insufficient clients, meeting deadlines, staffing and mental health. The pandemic has very likely pushed some of those challenges into greater prominence.

Currently, the major item on the agenda of the AAT in Australia is the development of a new education pathway for eligible members through a new designation and certification program. It hopes the new designation will become the accounting technician certification of choice for TAFE students seeking a career as an accounting technician, as well as opening the door to future opportunities.

A message on the transition process from both the IPA and the AAT said: "This will align to comparable global designations as the value provided by accounting technicians and recognition of this value grows.

"The AAT cannot achieve this alone and this integration will preserve AAT's history and provide a sustainable base for ongoing development and leadership of the profession for decades to come."

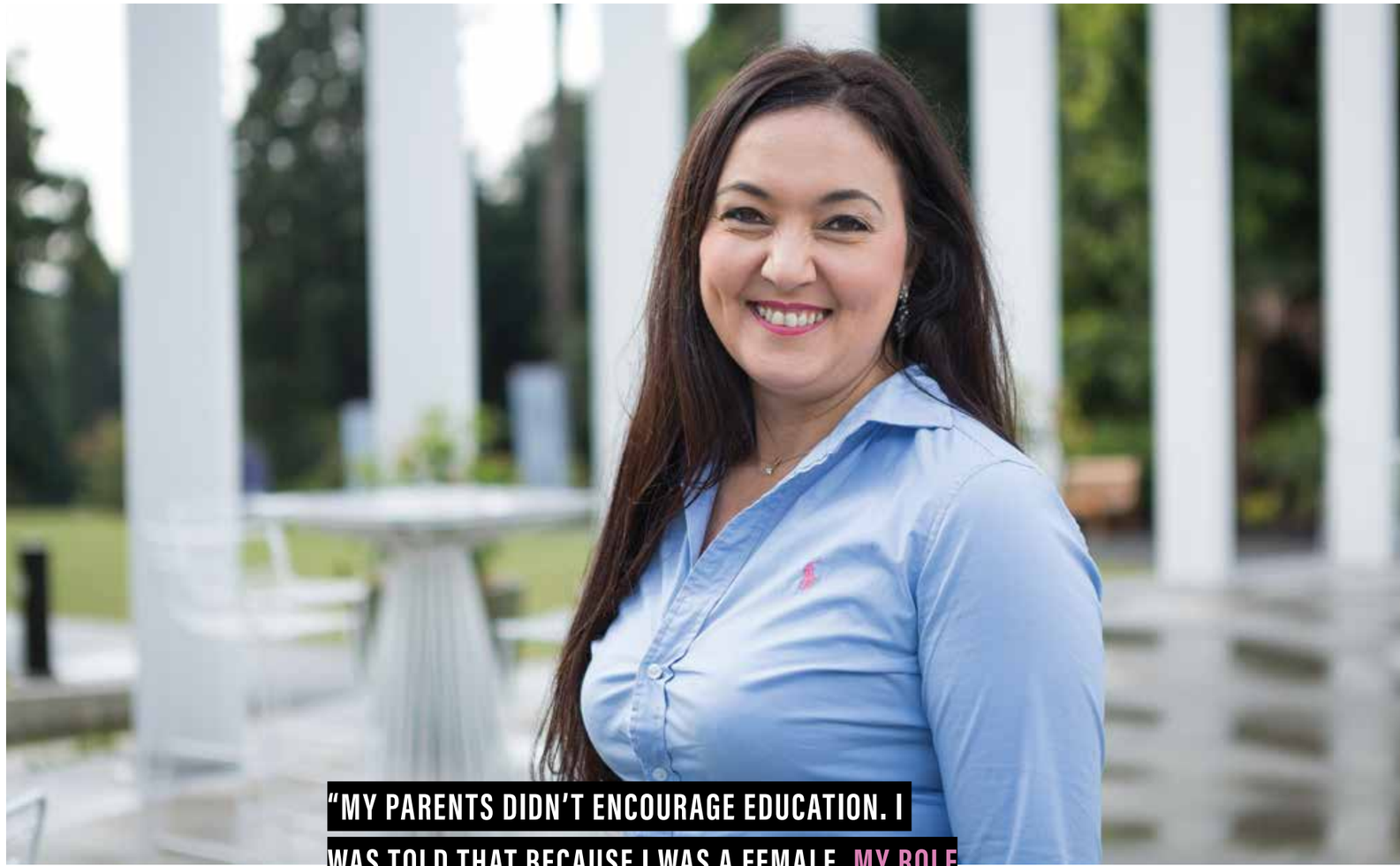
The AAT and the IPA at a glance

Professional body	The Institute of Public Accountants	Association of Accounting Technicians Australia
First formed in Australia	1923 as the Institute of Factory and Cost Accountants	2002
Membership base	40,000+	1,000
Headquarters	Melbourne	Melbourne

Breaking down barriers and KICKING GOALS

Neehal Clements' path into accounting was anything but ordinary

| by Maja Garaca Djurdjevic |



"MY PARENTS DIDN'T ENCOURAGE EDUCATION. I WAS TOLD THAT BECAUSE I WAS A FEMALE, MY ROLE WAS TO GET MARRIED, HAVE KIDS AND THAT'S IT"

Straight out of high school, Neehal Clements was forced into an arranged marriage. Coming from a traditional Lebanese background, Ms Clements didn't have too much say in the matter. Her path was paved while she was still a little girl and all she could do was to conform.

"My parents didn't encourage education. I was told that because I was a female, my role was to get married, have kids and that's it," says Ms Clements "But I've always been the ambitious type."

Her love for numbers started at her parents' fruit shop, where Ms Clements was often tasked with keeping track of the takings for the day.

"The first time I served a customer was actually at the age of nine," Ms Clements recalls. "Because I had that insight into the small business perspective, I always said I wanted to be an accountant, even though I wasn't great at high school."

But her life was already mapped out for her, and she had no choice but to bury her accounting dreams to make room for a family. For someone who had always wanted to be a career woman, this was a bitter pill to swallow.

"Instead of graduating with a degree at 21, I had two kids by this stage," Ms Clements says. "The cultural background and understanding were that the woman's place was to have the kids, stay at home and raise the family."

However, Ms Clements' dreams and ambitions didn't disappear with the onset of her new responsibilities. She eventually left the marriage and became fixated on doing everything she could to catch-up on her studies.

"Unfortunately, the marriage didn't work out. I had a lot of aspirations; his aspirations didn't quite align. When it dissolved, I went back to TAFE," Ms Clements recalls.

"I'd been out of the game for quite some time. Even when I had finished high school, I actually got some temporary work with the Queensland Philharmonic Orchestra, looking at their systems, because they were moving from a manual accounting process to an online system, so I helped with that.

"At the time I also applied for a job at Westpac, because I wanted to get into accounting in that space. I actually passed their assessment with flying colours, and they offered me a job. But that got turned on its head because of the arranged marriage."

Having finished her accounting diploma, Ms Clements worked in several companies using her financial and operational acumen to climb the corporate ladder before deciding to go into business for herself in 2013. She launched NH&Co Solutions – a management consulting firm focused on providing high-quality service and client satisfaction.

"After the GFC, to try to land a role was very tough. So, I decided to go into business for myself," Ms Clements recalls.

"My practice covers more of the advisory side of accounting, helping businesses turn their processes around and become more profitable. It's been quite refreshing for me, but challenging at times in terms of resilience and mental strength, but I think I've been prepared for that with my tough upbringing and some of the good values that I've been taught over the years, especially in the corporate space."

She also has numerous other passions, including for sustainability, technology and community, and is currently a director of the board of the Chatswood Chamber of Commerce.

"I try to get the community together. I'm involved with the chamber, I'm also involved with the IPA about bringing that brand recognition and also showing that when we work together and support one another, great things happen," says Ms Clements.

"Success to me means seeing everyone around you thriving, because that becomes quite contagious. I think everyone has something to bring to the table, they just need to be given that respect and find where their inner strength is."

And, having tried to talk her out of pursuing her dreams for years, Ms Clements' parents have finally learnt to celebrate her successes.

"It was a long journey and sometimes quite a lonely journey," she says. "After trying to get me to live at home so many times, my parents now support me."

Despite all the hurdles, Ms Clements wouldn't change a thing.

"I managed to buy my own place and show my children that an education is so important to their future. It's an acquired skill no one can steal from them," she concludes.

"Ignorance is not bliss. You are the master of your destiny."

MEET THE WOMAN

on a mission to save rural communities

Dianna Jacobsen is not a suit and office kind of woman. She comes from a background of wheat/sheep farming in the southern Riverina and now lives with her family on their cattle property in north-east Victoria

| by Maja Garaca Djurdjevic |

She is not your regular accountant, either. Combining mainstream accounting and holistic business advice, Ms Jacobsen has spent a good part of the last two years making "Are you OK?" calls to drought-stricken farming clients, then bushfire-impacted families, and now COVID-rocked businesses.

After finishing school, Ms Jacobsen commenced accounting in 1989, with a mission to help the struggling farmers that she saw during her childhood, and later she became a partner in a small public accounting practice.

But the compliance driven approach to accounting back in 2000 didn't quite fit her life-long dream of bettering the often barren and harsh life of country folk.

"The trouble then was that we were so compliance driven because of all the new systems and the reporting deadlines. As a rural firm we were used to going out to people's farms and small businesses, but once GST came in, we didn't have time for that," Ms Jacobsen tells Public Accountant.

So, in 2005, she made the tough decision to sell and exit the practice.

While the seeds of her decision were sown years back when she ran around her parents' farm as a young child, she gathered the courage and stepped out of mainstream tax and accounting at a time when her career was flourishing.

"Growing up, I saw people leave farms and I didn't realise at the time that they didn't choose to leave. It was mostly due to family or finances," Ms Jacobsen recalls.

"That impacted upon me strongly and I thought someone has got to be able to help these people, there's got to be a better way."

Years later, the idea for Shine at Business was born with that childhood goal in mind.

"I thought to myself, I don't want to just sit here and tick boxes. It's not proactive, it's not helping anyone. After selling my accounting practice, I was then under restraint of trade for five years in which time I worked for a financial planner and did all my financial planning qualifications," Ms Jacobsen recalls.

"As soon as those five years ticked over in 2010, I went freelance. Combining accounting, financial planning, debt restructuring, legal, and farm succession planning."

Shine at Business was created to meet the growing, unmet need for pro-active, holistic business advice and strategic planning. For Ms Jacobsen, it's never been about the numbers. The people of the bush have always been her number one concern.

"I did a lot of training in psychology and counselling, as well as other things such as personalities and time management. Lots of business management," Ms Jacobsen explains.

"I work really holistically with the added financial planning qualifications and a little bit with lending and legal, and I've got solicitors and other people that work in my team so that we cover all those things. This is particularly important because with the financial services overhaul in 2000, the demarcation between accounting, financial planning, lending and legal became very noted."

She believes a holistic approach is particularly important in the farming space because passionate people are exiting the industry every day and mostly as a result of financial difficulties.

"I think that's heartbreaking," Ms Jacobsen says. "We've certainly seen a huge exit particularly in the dairy industry and I'm still working with a few that are struggling to hang on."

And that's what drives her.

"These people are passionate and they need good, all-round advice. I often work with their accountants, it's more about coming in and working out the overall strategy," says Ms Jacobsen.

On her path to better the lives of others, Ms Jacobsen is always on a mission to better herself and the service she provides. It was during one of these missions that she collided with the woman known as "the millionaire maker", Loral Langemeier.

Today, Ms Jacobsen is Ms Langemeier's financial strategist in Australia, working with a broad range of businesses and industries nationwide.

"I study every day. I start my day super early to fit more into each day. I don't claim credit for what I call the accumulated wisdom of others. But I've certainly done all that I can to collect and collate everything that's relevant and include it into how I teach, what I share, how I do strategies," she says.

"I used to go to all these speakers and I read, watched and absorbed everything I could get my hands on within financial reason."

Now Ms Jacobsen herself writes for various publications, presents at conferences and speaks on radio programs and podcasts.

"Throughout all, I've always said it's not about the numbers, it's about the people," she recounts.

But Ms Jacobsen is also very passionate and involved in mental health and proliferates its importance in rural Australia.

"I think of mental health problems as a symptom of feeling disempowered," she says.

"When we haven't got a plan, we don't know what to do, the bank manager and the accountant are telling us it's all doom and gloom, people leave those meetings feeling literally suicidal because they're told there is a problem, but they're not given a solution, and therefore assume there isn't one.

"Rural suicide is a big problem. I certainly see this aspect and so often that comes back to family and finances. Just that feeling of having no way out.

"I HAVE ONE CLIENT THAT I HAVE TALKED TO EVERY SINGLE DAY FOR TWO AND HALF YEARS, EVEN ON CHRISTMAS DAY"

"I see the first step to be a visit to the family, being shown around the farm, sitting around the kitchen table, and discussing the core problems with a view to developing a strategic plan, offering solutions, and assisting throughout with implementation."

Doing everything she can to help cut the problem at its roots, Ms Jacobsen has mental health first aid training and uses her counselling background to listen to those that need an ear and a hand to hold.

"If people in those situations knew that there was someone helping them with a plan, it would be a completely different story. That's the one thing that stands out to me the most, certainly with all the people we work with," she says.

"For example, I have one client that I have talked to every single day for two and half years, even on Christmas day. He is just so alone and there are a number like that."

In tackling the mental health issue, Ms Jacobsen urges a lot more proactivity at the front end.

"For about 20 years I've been saying, the accountants are the best people to do that because we see and talk to people quarterly for their BAS and we're the ones that know what's going on in their bank accounts or their relationships or their families or the farm," she says.

"I know most accountants are not counsellors, but that's where they can have someone on their team or a connection with someone to have that kind of chat or relationship."

Ms Jacobsen's team recently made the finalist list for the Women in Finance Awards 2020 for their initiative in the wellness space.

"That was very nice because my team works tirelessly. I absolutely could not accomplish what I do without them, particularly my indefatigable practice manager, Denise Sawyer," she adds.

But Ms Jacobsen won't stop there.

In January 2021, she is launching a new initiative, combining her work in accounting, finance and business, in conjunction with her training in counselling, mindset, and personal empowerment, and packaging it all into a product called Shine at Leadership.

Her objective is to educate and empower individuals and entrepreneurs to take control of their own lives and outcomes.

"The intention is to share more widely the methodologies I've learned from great teachers over 30+ years of my career, and enable people to help themselves," Ms Jacobsen opined.

"I believe that a host of financial, family, and mental health challenges can be addressed and mitigated by having the right knowledge and support systems in place, as well as by looking for what they can control."

Of particular concern to her are Aussie rural SBEs, now and in the future.

"We are losing people that are passionate and dedicated and fourth, fifth, sixth generation, so it is imperative to keep these families on their farms," Ms Jacobsen says, admitting that she has made it her mission to help stop this negative spiral.

Business building

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

The year that wasn't meant to be and what's in store for Australia's SMEs

It's probably not necessary to emphasise how much 2020 has, and continues to be, dominated by the global COVID-19 outbreak. But for Australia, 2020 didn't exactly get off on the right foot even before there were murmurings of an impending pandemic, writes Reuven Barukh, CEO of Live Group

| by Reuven Barukh |

AS WE embarked on a new decade, the national bushfire emergency was already dampening lacklustre economic growth forecasts after an enviable 30-year run of good fortune.

A time to re-evaluate

As worries around Australia's slow growth turn to fears for survival in a global economy that appears to be winding back the clock, many SMEs have been quickly re-evaluating their position and charting their path to make it through. Indeed, if there's one thing that 2020 has taught us so far, it's that sticking to the status quo simply won't cut it anymore – the question is, how will you play it?

To consider how your business might navigate this unfamiliar environment, it's important to think about how the SME landscape is likely to shape up over the next few months. Or, in other words, what might be the opportunities and headwinds, and where your expectations should fall.

Success or survival

To start with, growth and expansion for the 2020-21 financial year are, unfortunately, likely to be limited to certain industries. For example, while there are winners and losers in every recession, the influence of the pandemic on Australian consumers is likely to accelerate the success of retailers and manufacturers that focus on products which add value to people's lives – such as things related to health and wellbeing, family time or the home environment, among others.

Of course, what this means will be different for every business. While 2020 could turn out to be a bumper year for some SMEs by chance, others might find ways to mitigate losses by shifting their focus to emerging opportunities. At the other end of the spectrum, however, businesses in sectors such as hospitality, tourism, travel and events will be much more restricted, perhaps looking more towards strategies designed to help bide time until the good times return.

Business will be done differently

Surviving or succeeding over the coming months won't just be about "what" your business is either, but also "how" you do business in a world where digitisation has never been more relevant.

Even before the pandemic disrupted the business environment, cashless payments and e-commerce solutions were already tipped to be increasingly essential tools because of changing consumer habits. Right now, though, demand for these solutions is not just being driven by convenience, but also short-term necessity.

With social distancing and minimising contact likely to remain front of everyone's mind for the foreseeable future, there's no doubt that many SMEs (if they haven't already) will be looking to give customers peace of mind by reducing or eliminating cash payments. For this to work well, however, it'll be essential to choose unrestrictive card payment solutions, which accept all transaction types and are priced fairly with SMEs in mind.

Similarly, we're seeing an uptick in the number of businesses exploring how they can leverage the safety and reliability of e-commerce when they can no longer take in-store purchases for granted. And even after COVID-19, there's every chance that consumers will stick with their new buying habits. Perhaps, businesses that may never have previously considered selling or transacting online will enter the e-commerce space in the months ahead.

"IF THERE'S ONE THING THAT 2020 HAS TAUGHT US SO FAR, IT'S THAT STICKING TO THE STATUS QUO SIMPLY WON'T CUT IT ANYMORE – THE QUESTION IS, HOW WILL YOU PLAY IT?"

Reuven Barukh
CEO of Live Group

Resourcing to make things happen

And then there's finance. With cash flow a top challenge for a lot of businesses in 2020, the Australian government has launched various support schemes to throw lifelines to those battling a sudden downturn in trade. But it's not just about hanging on. The question is, will these alone be enough to get all businesses up and running to speed again in a post-pandemic world?

There's little doubt that responsiveness, opportunism and strategic flexibility in 2020 could lead to faster recovery and more competitive business activity in 2021 – especially as COVID-19 is likely to leave a lasting impact for the years ahead. But this approach and the initiatives that might come with it, often come at a cost.

For this reason, business leaders today should remain open to making timely, well-balanced decisions that could boost business endeavours through the growing range of alternative finance options suited to SMEs.

Currently, and for some time to come, we'll be navigating uncharted territory – a place where no business owner has ever been before. But businesses shouldn't become paralysed by uncertainty.

One thing that is certain is that there are better times ahead, so if we stay aware and make smart choices now, we could rise back up sooner than we think.

Common traps of small business owners

You've hung the shingle, flung open the doors and are now living the dream. The owner of your own business, the master of your destiny and a full card paying member of the economic powerhouse of the Australian economy – the small business sector

| by Stuart Donaldson |

ANY STRAW poll of the sector, anywhere in the country and at any time, asking the same question: 'what are the two main attributes for starting your own business?', will deliver the same resounding answer; passion and enthusiasm. Great stuff, but as the years roll by and the challenges of building a successful enterprise mount, it becomes clear that passion and gut feel will get you only so far.

As the owner, you are the jack of all trades. The CEO, sales manager, production manager, HR manager, administration clerk, accounts clerk, and the list goes on. There is a need to wear many hats but can this frenzy of activity and noise overwhelm? And is there a risk you could become a victim of your own success? Given this, what is the solution?

Discipline, structure and rigour and above all else measuring and managing performance.

Too many business owners fail to realise they have the ultimate scorecard at their disposal year in year out, and arguably during the year. Every business has a set of financial statements prepared by their accountant, but all too often the expectation is that these financials are for tax return purposes or to support a loan application with a bank. My advice is, ignore them at your peril.

The story of your business is found within, and there is a wealth of information. If you're not looking, you're not tracking, and there is a high probability you are falling victim to some of the many common traps.

Your financials will give insight to, and help make sure you avoid or resolve, such things as:

- misuse of your short-term borrowing facilities (creditor accounts, overdraft);
- poor working capital management;
- declining efficiency of your fixed assets in producing sales;
- shrinking profitability margins and lax expense control; and
- excessive long-term debt, sub optimal funding terms.

Before we explore these examples in greater detail, let us try and understand why (in most cases) it happens. In a word, sales! Many business owners are focused on making sales (playing to their strengths) and they are so content that the top line is growing that they are vulnerable to lulling themselves into a false sense of security. There is a need to look beyond sales revenue and lift the bonnet to see what all this growth is doing to the business.

To mitigate against complacency, inefficiency, waste, wastage, creeping expenses, and shrinking margins, a simple process of reviewing the key performance indicators, preferably monthly will ensure focus and an ability to swiftly address areas of weakness or poor trends. This need only be a simple spreadsheet with a manageable number of indicators, for example see ***Key Indicators*** table.

This simple illustration highlights that at a glance we can spot trends, for better or worse. It is clear where the focus needs to be and provides a foundation for an action plan.

Know the way
All businesses have their own unique scorecard, a rich and powerful set of data that defines where we've been, how we are travelling and, importantly, where are we heading

Any improvement in performance on any of these indicators will drive greater profitability and financial strength.

The single most common trap is misuse of the business overdraft. There are many reasons this can occur and one of the biggest culprits is ease of access. It is too easy to pay bills or buy things for the business when you have room on your overdraft, just reach for the cheque book and away you go.

Other contributors to poor working capital and a growing overdraft include debtor and stock management. If you are taking longer to collect your debtors or your stock isn't selling as fast, you will put more pressure on the short-term funding sources. Over time, if this goes unchecked, it will get to the point where you will be unable to clear your OD balance within the cycle of less than one year. Remember, short-term debt is required to fund short-term assets, and if you can't clear this you are now the proud owner of hardcore debt. The bank will recognise this through their own analysis and the best solution is to start amortising the debt over the long term.

High debt concentration and misuse of the overdraft are the main causes of distress (financially and emotionally) for business owners. It is avoidable and would take just a little refinement to your management and your process for measuring performance.

KEY INDICATORS	2018	2019	2020
CASH FLOW			
Current ratio	2.32	1.88	1.60
Inventory days outstanding	79	73	104
Debtor days outstanding	25	36	50
PROFIT MARGINS			
Net profit margin	2.30%	4.30%	3.40%
Gross profit margin	39.50%	40.00%	42.20%
ASSET MANAGEMENT			
Sales to assets ratio	4.17	4.00	2.78
Return on assets	12.60%	19.67%	11.87%
Return on investment	31.66%	67.58%	34.79%
BORROWING CAPACITY			
Debt to worth	2.35	2.97	2.67
Current ratio	2.32	1.88	1.60

As a broker and a trusted adviser dealing with SMEs, all of the above is very good news. Hear me out. Once you know how to identify the common pitfalls you have the opportunity to present to your clients not only the concerns but more importantly a range of solutions. As a third party to the business you are taking the initiative to drive very positive change in their interest. This makes you a genuine and very valuable member of the team and a trusted adviser in the true sense of the expression.

Make sure that your next review meeting has an agenda and a list of bullet points that have the potential to be game changers for your relationship.

Stuart Donaldson
business educator, Banyan Co

Check out Innovations Catering at facebook.com/InnovationsCatering

Innovations Catering

Michele Rawlins, Innovations Catering speaks to *Public Accountant* about her journey as a small business owner and advice for others making the leap

Q Describe your business.

My accounting practice that I had for 17 years was my first business and I have been involved in several other businesses, including my current change management business, Connecting The Change. My husband Bob, a chef, and I have developed Innovations Catering over the last 16 years. A highly-regarded company, catering for over 16,000 functions. We cater for corporates, the private sector, weddings and other special events for two, to sit down three course meals for 700 people.

Q What are the biggest obstacles to being a business owner and how has COVID amplified these?

Mindset can be an obstacle in business, especially one resistant to change. Adapting your business to market fluctuations is essential today. We adapted quickly, by providing individually packaged meals through an online ordering system. We supported two charities providing meals to the people most affected by COVID, including Chemo at Home patients. In March, AUSMAT (Australian Medical Assistance Team) contacted us to provide our services for the Artania Cruise Ship, while in Perth under quarantine. We are now catering for our fourth quarantined ship in Fremantle. We have a new niche, unimaginable before COVID. We are very thankful that we have survived these extraordinary times.

Q How did your small business journey begin?

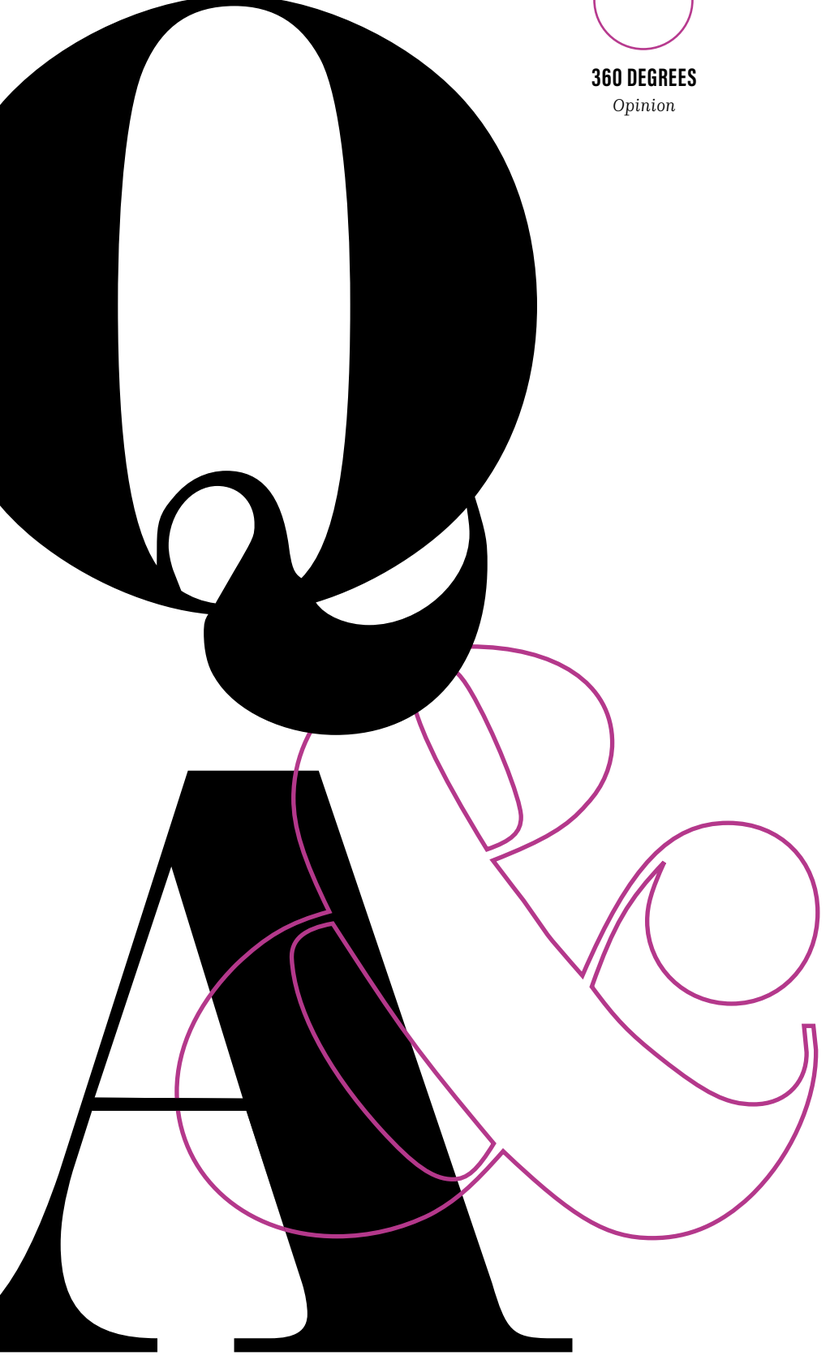
Both my parents were in business, predominately hospitality, owning hotels on three continents. My father encouraged me to become an accountant so that I could raise my children while in practice, and then move into other businesses. I seemed to have followed that advice, almost to the letter!

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

Being in business is dependent on the individual's natural ability and mindset. Being your own boss, is not for everyone. It is risky. Being self-employed can impact family, lifestyle, and mental health, so talking to other business owners and their accountant first is vital. However, being in control of your destiny can provide immense satisfaction.

Q What business advice do you swear by?

People are your biggest asset. Providing an environment of continuous improvement and empowerment, creates a workplace that thrives and builds loyalty. Happy, content, smiling staff delivering exceptional customer service is one of the factors to a successful business. Good systems are a close second.



Q. What are your expectations for 2021?

Annette Tasker
ALT Tax + Accounting

Top communicators

Less fear, more hope, more positive conversations. Following the harrowing times of 2020, when accountants were being called upon to respond to questions no one knew the answers to, we learnt to adjust our expectations.

We were giving lots of information and advice on topics we, and the rest of the business world, knew little of. We learnt quickly to be able to confidently say, "I don't know" and follow up with "but I will find out for you". We learnt to lean on our peers, our colleagues, and our mentors.

From those learnings we have adjusted our expectations of the future. We look forward to 2021 being more certain, less in limbo, and an understanding of how to better communicate with our clients and our colleagues about the things that matter. We can use our newly acquired skills of conversation, empathy and listening to better assist our clients and give them the help that really matters. We can apply our business advisory skills at a time when they have never been more needed, and be viewed as a steady hand to charter our business ships through the newly dug channels of this altered world we find ourselves in.

Carolyn Geyer
Geyer Accountants

Hope and passion

Roll on 2021!! There is so much to look forward to both on a personal level and on a business level. The one thing that I can't wait to see is some of our small business clients who are hurting so badly right now (and yes – we are in Victoria), walking into our office in 2021 with a smile on their faces, and hope and passion back in their hearts.

As we all know, running your own small business is certainly not for the faint hearted. It takes an enormous amount of work, commitment, planning and then more planning, strategic thinking, constant analysis and more.

And we also know that, generally, there are two main reasons people to go into business. One is for the passion for what they do, and the other is for money.

2020 has seen that amazing and exciting spark of 'passion' in business owners fade in these unprecedented lockdowns. We have seen their total despair and frustration from them losing control of their destiny with this uncontrollable and lengthy COVID interruption to their business.

I can feel their pain just thinking about it. 2021 will see the spark reignite! It will not reignite for all but for most it will. We will see the enthusiasm, the smiles, the joy and the satisfaction that shows the confidence within themselves, return. Hopefully along with a positive figure in their profit and loss reports. So, roll on 2021! We are waiting.

On a personal level – I haven't been able to hug my 90-year-old Mum since March. I will be hugging her at absolutely every possible opportunity in 2021.

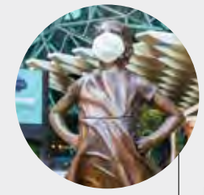
Madeeha Usman
director, The Kalculators

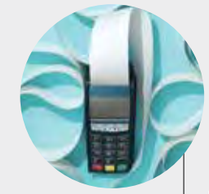
Look for opportunities

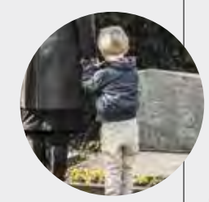
As 2020 comes to an end, I believe we should move forward with hope. The key to entering 2021 is to have plans and goals and a positive outlook, but to remain flexible and ready to adapt to circumstances as they change.

I strongly believe that we could spend our time thinking about all the things that have gone wrong, or we could concentrate on possibilities and opportunities with a positive mindset.

I would be expecting my peers' coughs and sneezes to be less frightening than they were in 2020!







Technical

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

New full expensing policy to boost Australian business recovery

Josh Frydenberg opened this year's budget speech by saying, "In 2020, Australians have been tested like never before. Flood, drought, fires, and a global pandemic"

| by Bradley Beer |

IT WAS clear that this year's budget was all about jobs, as there's no economic recovery without getting Australians back to work.

The full expensing policy introduced in this budget makes up a huge $26.7 billion of the crucial JobMaker Plan. This policy will help support investment, jobs and has made some major changes to how business owners can depreciate assets.

The JobMaker Plan and full expensing

The aim of the JobMaker Plan is to boost economic growth, create jobs, invest in future industries and skills, remove red tape, guarantee essential services, and restore confidence.

Businesses with an aggregated annual turnover up to $5 billion can now deduct the full cost of eligible assets that are acquired and first used by 30 June 2022. This method is called 'full expensing' and is ultimately an evolution of the instant asset write-off.

Full expensing is available to 99 per cent of Australian businesses. This deduction will be taken from a business' taxable income, meaning they pay less tax and have more back in their pockets.

On face-value this seems straightforward – a business can buy an asset and claim that expense straight back. However, with different aggregated turnover requirements, previously used assets, and past arrangements such as the instant asset write-off and Backing Business Investment (BBI) incentive, it's more complex than it seems.

This is our comeback

The Australian government has a plan to rebuild our economy creating new jobs, so employment and businesses can come back.

Visit: www.ourcomeback.gov.au

Business types and aggregated turnover

Before we get into how full expensing, the enhanced instant asset write-off and the BBI all work together, it's important to understand what businesses can take advantage and how.

The good news is that all business types can take advantage of full expensing. A business 'type' can be based on its aggregated annual turnover.

The Australian Taxation Office defines small business enterprises (SBE) as businesses with an aggregated turnover of up to $10 million. For this article, we will call medium business enterprises (MBE) those with an aggregated turnover of up to $50 million, and large business enterprises (LBE) as those with an aggregated turnover between $50 and $500 million.

What happens to brand-new assets purchased after 12 March 2020 and before 7:30pm (AEDT) on 6 October 2020?

If the brand-new asset costs less than $150,000 then all business types can instantly write it off when it's installed before 30 June 2021. However, if the asset is above the $150,000 limit, businesses can only depreciate it using accelerated rates under the BBI incentive.

"THE AIM OF THE JOBMAKER PLAN IS TO BOOST ECONOMIC GROWTH, CREATE JOBS, INVEST IN FUTURE INDUSTRIES AND SKILLS, REMOVE RED TAPE, GUARANTEE ESSENTIAL SERVICES, AND RESTORE CONFIDENCE"

KEY DATES TO REMEMBER

Now that we have some makeshift names for business types, there are some key dates to be aware of. Understanding the significance of these dates will help businesses understand how full expensing works.

12 MARCH 2020:
The government announced the enhanced instant asset write-off and BBI incentive.

6 OCTOBER 2020:
This was budget night, and when the full expensing policy was announced.

30 JUNE 2022:
This is the end of the 2021-22 financial year and the last date businesses can take advantage of full expensing.

What happens to brand-new assets purchased after 7:30pm (AEDT) on 6 October 2020 and before 1 July 2022?

This is where the lucrative deductions are supercharged. Any business type, with an aggregated turnover of up to $5 billion, can write-off the full expense of eligible assets instantly. With no threshold or limit to the number of assets a business can claim in a single year, this incentive has the potential to boost cash flow by hundreds of thousands.

Timeline for full expensing for second-hand assets

This is where full expensing gets more complex, especially for LBEs. A key factor that affects the full expensing method is when the asset was purchased.

$26.7
BILLION
The budget for the JobMaker Plan policy

What happens to second-hand assets purchased after 12 March 2020 and before 7:30pm (AEDT) on 6 October 2020?

If the asset was valued below $150,000 all SBEs, MBEs and LBEs can instantly write it off in that year's tax return. The only requirement is that it is installed by 30 June 2021.

For second-hand assets valued above $150,000, depreciation works based on the business's aggregated turnover. SBEs can place the asset in their simplified small business pool, while MBEs and LBEs must depreciate the asset based on its effective life.

What happens to second-hand assets purchased after 7:30pm (AEDT) on 6 October 2020 and before 1 July 2022?

All SBEs and MBEs can instantly deduct any eligible second-hand asset in the same financial year through full expensing. LBEs could also instantly deduct the asset if it's valued at less than $150,000. However, the asset must be purchased on or before 31 December 2020 and installed by 30 June 2021.

Bradley Beer
chief executive officer, BMT Tax Depreciation

If the asset's purchase and installation dates don't meet this time frame, it must be depreciated based on its effective life.

Is the small business pool still available?

Small businesses can still take advantage of the small business pool, which allows SBEs to group assets and depreciate them at a higher rate. A business can now deduct the entire balance of their pool at the end of the financial year while full expensing is available.

Working from home: What can you claim and how do you claim it?

The ATO recently announced that it has extended the streamlined rules for claiming work at home expenses until 31 December 2020. This means that the method has relevance over at least two income years, i.e. 2019-20 and 2020-21

| by Thomson Reuters |

SOME OF you will have started to prepare your clients' income tax returns for 2019-20, so it is timely to refresh our understanding of how this method interacts with the home office rules.

In fact, it means that there are now three ways of claiming working from home expenses in these two income years.

First, taxpayers can calculate certain portions of their additional running expenses by using a fixed rate. The fixed rate was set via Practical Compliance Guideline PCG 2020/3 at 80 cents per hour – the ATO calls this the "shortcut method". This was introduced as a result of the large number of people working from home due to the COVID-19 pandemic.

Second, prior to the shortcut method being announced, the fixed rate was 52 cents per hour (as per PS LA 2001/6). This is, unsurprisingly, referred to as "fixed rate method" by the ATO.

There are important differences between the expenses that these two methods cover.

Third, taxpayers can calculate their additional running expenses by keeping records and written evidence to determine their work-related proportion of actual expenses incurred (as per TR 93/30). The ATO calls this the "actual cost method".

This is usually used where there is a home office. A classic example would be a doctor's surgery or consulting rooms within a private residence. Again, there are differences between what expenses can be claimed under the actual cost method and the other rate per hour methods. We will deal with each in turn.

Shortcut method

This is dealt with first as it is likely that this will be the most widely used method, given so many more people are working from home who have not done so before, and who do not have the records or inclination to substantiate a claim under the other methods. In other words, it is simpler and easier.

To qualify, a taxpayer must be working from home and must incur additional running expenses. For example, if a home computer had only ever been used for private purposes and is now being used to fulfil employment duties or in running a business, it would be an additional running expense that is incurred.

The ATO states that minimal tasks such as occasionally checking email or taking calls while at home will not qualify as working from home. The work has to be "substantive and directly related to the taxpayer's income-producing activity".

PCG 2020/3 covers all additional running expenses, namely:

- electricity (relating to lighting, cooling/heating and electronic items used for work, e.g. a computer) and gas (heating) expenses;
- the decline in value and repair of capital items (such as home office furniture and furnishings);
- cleaning expenses;
- phone expenses (including the decline in value of a phone handset);
- internet expenses;
- computer consumables;
- stationery; and
- the decline in value of a computer, laptop or similar device.

If this method is used, no other work from home expenses can be claimed.

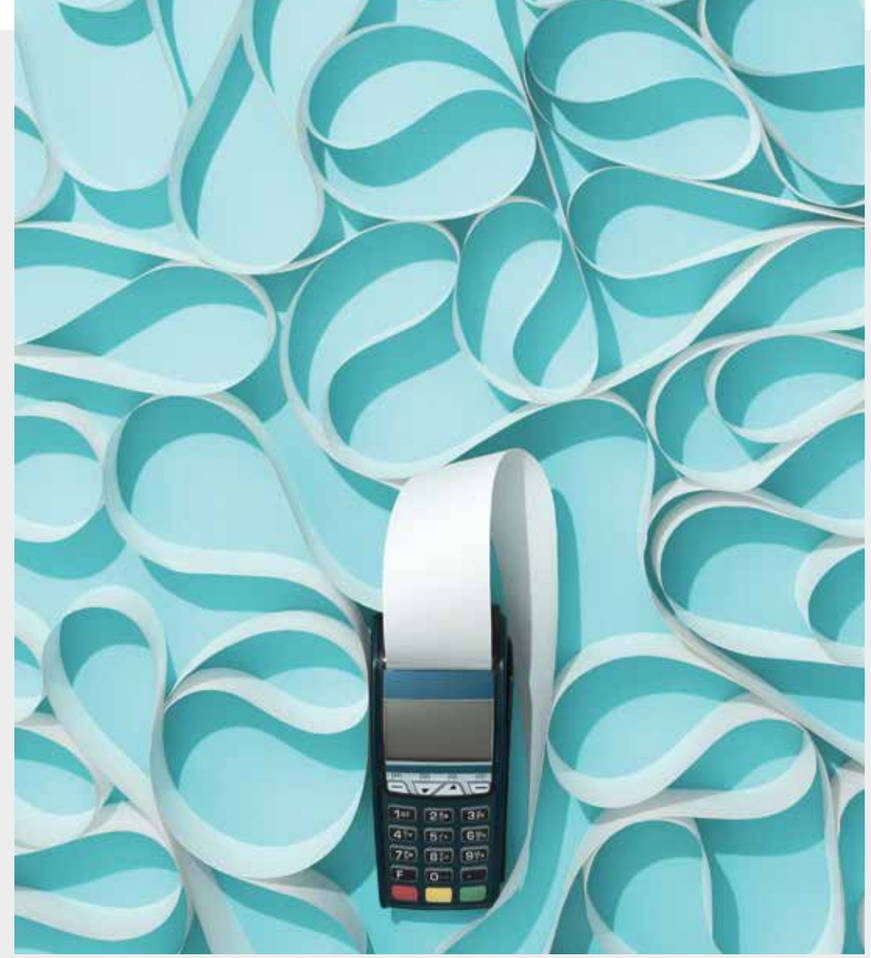
Taxpayers do not need to have a dedicated area to use the shortcut method (unlike the other two methods, below). However, it does not apply to employees for any period they are on leave or stood down during the period, or business owners if they have ceased trading permanently.

The 80-cent rate applies from 1 March 2020 and will cease to apply on 31 December 2020. However, it may be extended beyond this date – depending, of course, on what happens with the virus.

Taxpayers will need to keep a record of the hours they have worked at home which can be in the form of timesheets, rosters or a diary. In terms of other records, all the ATO says is that it is "important" to keep the following, as taxpayers may want to combine methods or use a different method in later years:

- receipts for depreciating assets or equipment used when working from home;
- records of how the work-related use of assets were calculated; and
- the decline in value calculations.

Taxpayers who use the 80 cents rate must claim it in Item D5 "other work-related expenses" in the 2019-20 income tax return.



Fixed rate method

The fixed rate method also applies to what the ATO terms "running costs".

It is 52 cents for each hour worked at home and is intended to cover the following expense:

- the decline in value of home office furniture and furnishings – e.g. a desk;
- electricity and gas for heating, cooling and lighting; and
- the cost of repairs to home office equipment, furniture and furnishings.

Importantly, the 52-cent rate does not cover the following:

- phone expenses;
- internet expenses;
- computer consumables and stationery – such as ink; and
- decline in value of equipment – such as phones, computers and laptops.

If taxpayers want to claim for these expenses (and who wouldn't), then they will need to calculate their work-related use separately. This will require diaries, receipts, detailed phone accounts etc. This instantly makes it more complicated, of course.

To use the fixed rate method, taxpayers must have a "dedicated work area", such as a home office.

In terms of hours worked, taxpayers must record actual hours worked, but there is an option to keep a diary for a representative four-week period. The four-week period can be extrapolated over the remainder of the year, which would work perfectly well in a normal year. However, the ATO advises that if work patterns change a new record will be required. It can only be assumed that the carnage that is COVID-19 would necessitate a new record for those who did the diary before March.

Actual cost method

We won't spend a lot of time on this third category, as it is only of relevance to taxpayers who have a home office. Under the actual cost method, taxpayers work out their deduction from actual costs incurred as a result of working from home.

So, what is a home office?

The ATO states in TR 93/30 that the following factors may indicate that an area of the home has been set aside as a place of business (as opposed to a place of convenience):

- the area is clearly identifiable as a place of business and is regularly used for visits by clients or customers;
- it is used exclusively or almost exclusively for work purposes; and
- it is not readily suitable or adaptable for private or domestic purposes.

Importantly, if a place in a house qualifies as a home office, taxpayers can claim occupancy costs – mortgage interest (or rent), house insurance, water and council costs, repairs. Such costs will need to be apportioned, usually on the basis of floor area. However, claiming occupancy expenses may trigger a CGT liability when the home is sold.

The good news is that claiming via the 80 or 52 cents an hour methods – while not allowing a taxpayer to claim for mortgage interest – will have no impact on a person's ability to claim the full main residence exemption when later selling their home.

Managing an SMSF in the event of a member's death

Losing a loved one is never easy. The last thing on most people's minds when this happens is what to do about the person's superannuation. During this period of grief, it can be reassuring to know you or your loved one have made plans to make the process of dealing with their superannuation benefits as clear and easy to manage as possible

| by Helen Chhor |

SUPERANNUATION MUST be 'cashed' as soon as practicable after the death of a member. The Australian Taxation Office (ATO) generally expects payment to be made within six months of death, unless there is a valid reason beyond the control of the trustee for the delay, such as identifying eligible beneficiaries or seeking legal advice.

Planning ahead

Many Australians will die without a will, leaving their family members to deal with their assets and liabilities without guidance.

With some planning and forethought, you can help your family and loved ones deal with your passing.

The first step is to create a valid will and consider how you will deal with your estate and superannuation balance.

Superannuation does not automatically form part of your estate. You should consider whether you want to deal with superannuation separately from your will and have it paid directly to your eligible beneficiaries, or combine it with your estate for your legal personal representative (LPR) to deal with under the wishes of your will.

In addition, there are a number of options available to you when considering how you wish your superannuation benefits to be dealt with upon your death:

- From leaving complete discretion to the trustee of your self-managed superannuation fund (SMSF) as to how and to whom your superannuation is paid; and
- To providing binding instructions that, if executed correctly, will withstand a challenge from any potentially disappointed beneficiaries or vexatious litigants.

The type of death benefit nomination or instructions you choose to provide to the trustee of your SMSF will depend on your personal circumstances. We recommend you work closely with your superannuation adviser and your solicitor to ensure that all of your circumstances are considered holistically.

Death benefit income (pension)			
Age of beneficiary or dependant	Tax-free component	Taxable component	Untaxed component
Both 60 years or older	Tax-free	Tax-free	Taxed at marginal tax rate plus Medicare Levy*, less a 10% tax offset
Both less than 60 years of age	Tax-free	Taxed at marginal tax rate plus Medicare Levy*, less a 15% tax offset	Taxed at marginal tax rate plus Medicare Levy*
Death benifit lump sum			
Dependant beneficiary	Tax-free	Tax-free	Tax-free
Non-dependant beneficiary	Tax-free	Taxed at maximum 15% plus Medicare Levy*	Taxed at maximum 30% plus Medicare Levy*

*Medicare and other levies may also apply depending on other entitlements of the beneficiary. Medicare Levy is not payable when paid to beneficiaries who are not tax residents of Australia.

Who can receive my superannuation?

Subject to your superannuation fund's trust deed and governing rules, a superannuation death benefit can generally be paid to:

- Member dependants – spouse, children or financially dependent individuals; or
- Member's legal personal representative to form part of their estate.

Where the death benefit is paid to the LPR and dealt with under the terms of a will, there is no restriction on who can receive the death benefit. However, there are tax implications with respect to the death benefit.

Do my beneficiaries have to pay tax?

The cashing of a death benefit may be in the form of a lump sum payment (up to two payments i.e. interim and final payment) or an income stream. In reference to the earlier taxation definition of dependant, the table above outlines the taxation of the death benefit.

$1.6
MILLION
An individual's lifetime transfer balance cap

Death benefit and transfer balance cap

With the introduction of the transfer balance cap (TBC) from 1 July 2017, careful consideration of the cap for potential beneficiaries is also important.

Each individual has a lifetime TBC of $1.6 million, which is subject to indexation. The cap is triggered when an individual first commences a retirement phase pension within their superannuation fund. Their TBC will increase or decrease upon further commencement of retirement phase pensions or commutation of retirement phase pensions. A member's TBC is lost upon their death and is not transferred to a dependant.

Where a member dies and their superannuation benefits are paid as a lump sum, there is no effect to their beneficiary's TBC. However, where the superannuation benefits are paid as an income stream for the benefit of a beneficiary, the beneficiary's TBC will have an increasing credit.

It is important to consider if a dependant beneficiary who will receive the death benefit income stream has an existing retirement phase pension and their own TBC. Where excess amounts of the TBC are transferred to retirement phase pensions, the beneficiary will be required to take steps to reduce the excess, and may receive a financial penalty from the ATO.

It is important to plan for your future so you and your family have peace of mind when the inevitable occurs. As with all financial matters, estate planning requires a holistic approach to ensure your wishes are documented and executed appropriately. Always obtain specialist advice from a superannuation specialist and your solicitor, and ensure it is reviewed periodically.

Helen Chhor
associate director, business services, BDO

Hybrid mismatch amendments

Important technical amendments clarifying the operation of Australia's hybrid mismatch rules received royal assent on 3 September 2020

| by Liam Delahunty, Danielle Sherwin and Tristan Hedley |

IN 2015, as part of the OECD/G20 BEPS Project, the OECD released the OECD Action 2 Report which made recommendations to neutralise the effects of hybrid mismatch arrangements. In the 2016-17 budget, the Australian government announced that it would implement the recommendations made in the OECD Action 2 Report. The Australian hybrid mismatch rules that were passed in August 2018 were broadly effective from 1 January 2019.

In general, the hybrid mismatch rules are designed to prevent international groups from exploiting differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions.

It is important to note that the new rules:

- can deny deductions for an Australian company which is not the direct counterparty to the mismatch, even where it has no knowledge of a mismatch;
- can deny deductions for Australian subsidiaries of US groups, as a result of a US tax election that has been made;
- can deny interest deductions where the interest income is not taxed at a rate higher than 10 per cent, because of a foreign-sourced income exemption or deferral (these rules can also look through "back-to-back lending" to look to the ultimate level of taxation);
- do not include a de minimis threshold – they apply to all taxpayers, not just Significant Global Entities (SGEs); and
- do not have any 'grandfathering' provisions nor allow for a transitional period.

Context for update

The Australian hybrid mismatch rules are incredibly complex with numerous newly defined terms contained within over 90 pages of legislation and hundreds of pages of explanatory material and supplementary guidance. Despite this, there were several areas of uncertainty and defects that prevented the proper operation of the rules as they were intended to apply. The current round of amendments goes some way to remedying these defects.

Amendments

In brief, the amendments to the hybrid mismatch rules are intended to:

- clarify the operation of the hybrid mismatch rules for trusts and partnerships;
- narrow the circumstances where an entity is a deducting hybrid with the effect that generally, individuals and certain small business entities and trusts will not be deducting hybrids;
- clarify the operation of the dual inclusion income provisions;
- clarify that the scope of foreign income tax will generally not include municipal and State taxes;
- clarify that the rules apply to multiple entry consolidated (MEC) groups in the same way as they apply to income tax consolidated groups; and
- modify the targeted integrity rule to apply to financing arrangements designed to circumvent the operation of the hybrid mismatch rules.

The majority of the amendments are retrospective with application to assessments made for income years starting on or after 1 January 2019.

We discuss some of the amendments below in further detail:

Dual inclusion income

This amendment is likely of broadest application and should benefit some taxpayers that were inappropriately prejudiced by the rules as previously drafted. Broadly, dual inclusion income arises where an amount of income or profits is assessable in Australia and subject to foreign income tax (or subject to foreign income tax in two different foreign jurisdictions). The dual inclusion income provisions are concessions that can act to reduce the amount of a mismatch because there is no "mischief" arising where a "double-deducted" or "deducted but not included" expense is offset by "double included" income.

The on-payment rule

An extension to the dual inclusion income provisions may be applied for certain on-payments through grouped entities that form part of a dual inclusion group (the on-payment rule).

Broadly, under the on-payment rule, an amount of dual inclusion income can only be applied to the extent that payment is sourced from income or profits within the dual inclusion income group.

The amendments seek to modify this test by:

1. Broadening the definition of a dual inclusion income group to include scenarios where there are multiple liable entities. For example, investments held by a transparent holding vehicle with multiple investors, or members would typically not have been able to form a dual inclusion income group under the previous provisions.

2. For the purpose of applying the on-payment rule, introducing the phrase it is reasonable to conclude when determining whether a payment is funded by income or profits that have been subject to tax in the country in which the dual inclusion income group exists.

While these changes are welcomed, there are still several areas of uncertainty and additional guidance from the ATO is welcomed in clarifying the operation of the dual inclusion income rules.

Trusts and partnerships

Under the previous law, the definition of foreign income tax deduction referred to an amount that an entity is entitled to deduct in working out its tax base. The amendments were made due to uncertainty in applying the hybrid mismatch rules to trusts and partnerships because of, for example:

- the way that the Australian income tax law applies to these entities; and
- the way in which these entities are treated under the income tax law of foreign jurisdictions.

Specifically, for the purpose of applying the hybrid mismatch rules, under the amendments, trusts and partnerships will be recognised as entities that can:

- make and receive payments;
- hold, acquire or dispose of assets; and
- enter into schemes.

Therefore, if an entity is a trust or a partnership, a reference in the hybrid mismatch rules to an amount being included in assessable income (though not necessarily subject to tax), or being allowable (or not allowable) as a deduction to an entity, will be taken to be a reference to an amount that is taken into account in determining:

- for a trust – the net income of the trust.
- for a partnership – the net income or partnership loss of the partnership.

However, of note, only trusts (specifically trustees and beneficiaries) may be liable entities for the purpose of the hybrid mismatch rules.

This is important when considering a number of other provisions, including whether an amount is considered dual inclusion income.

Amendments

- The hybrid mismatch rules are incredibly complex and require consideration by taxpayers with international operations. In accordance with Australia's self-assessment regime, a taxpayer should assess whether the Australian hybrid mismatch rules apply to their specific circumstances.
- Inappropriate outcomes under the deducting hybrid mismatch rule may still arise where groups are required to rely on the on-payment rule. For example, where an amount is subject to foreign tax but in a jurisdiction outside the dual inclusion income group, an entity may not be able to rely on the on-payment, even where there is no economic mismatch.
- The International Dealings Schedule requires Australian entities to disclose the outcome of their hybrid mismatch assessment – this is required even where there is no neutralising amount (for example, a deduction being denied) because the specific nature of the disclosure requires detail as to why the hybrid mismatch rules do not deny deductions.
- The Australian hybrid mismatch rules require careful consideration even in cases where the hybrid mismatch rules of other territories may not apply. There are a number of differences between the Australian hybrid mismatch rules and those developed by the OECD (as well as those implemented in other territories such as the UK, New Zealand, Japan and the US).
- Punitive outcomes under the rules are intended, for example, withholding taxes will still apply even where the underlying deduction has been denied.

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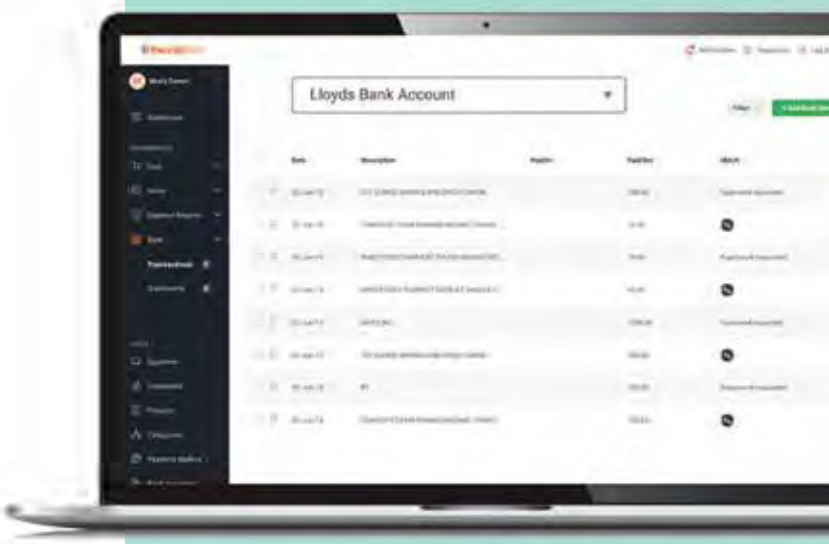

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