June / July 2021 $9.95

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

JOBS JOBS JOBS

Can the government's pre-election, pandemic budget power Australia's ongoing economic recovery and vital jobs growth?

SURVIVED & THRIVED

Australia has emerged from an unprecedented global pandemic with a win on both the health and economic front

PAGE 54

BRUCE BILLSON

Bruce Billson steps into the role of the Australian Small Business and Family Enterprise Ombudsman

PAGE 30

VACCINE ROLLOUT

Are we doing enough?

PAGE 46

BUDGET 2021

Treasurer Josh Frydenberg handed down the budget in May, here's a breakdown of what it means for accountants and their SME clients

PAGE 36

A SYSTEM IN CRISIS

A look at the final report of the Royal Commission into Aged Care Quality and Safety

PAGE 50

+ SUPPORT FLOOD VICTIMS | MEMBER PROFILE: BEN JOHNSTON | HOW TO USE DIGITAL MARKETING |

CONTENTS

Inside this issue

Jun/Jul.

Regulars

Interviews

Editor's letter

A pre-election, pandemic budget; a female-centric cabinet reshuffle; the aged care debacle; the vaccine dilemma... These are just some of the issues we dive into in this edition of the *Public Accountant* journal.

We also welcome Bruce Billson, the new Australian Small Business and Family Enterprise Ombudsman, as he unveils his agenda for the remainder of this year.

As a preview of our next edition, the Sustainability Special, we chat about Australia's problem with waste and provide five, easy-to-implement strategies to improve how your business manages its waste.

Moreover, we celebrate the return of events, as the IPA relaunches in-person gatherings, kicking off with the Western Australia state congress. We also take a peek at this year's special budget breakfast and run through some of the key budget measures impacting business.

Enjoy the read!

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

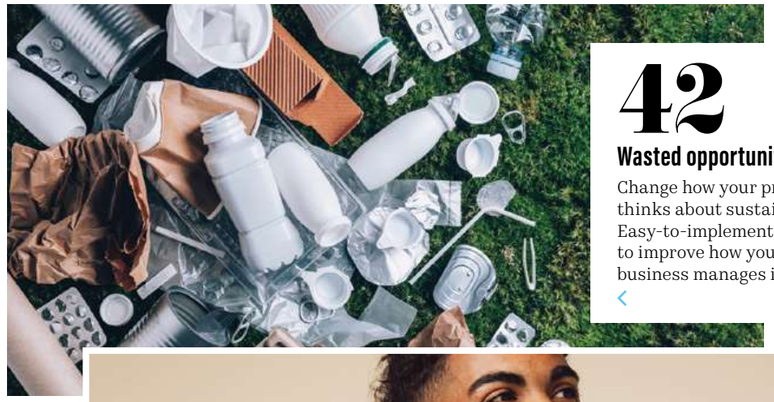
Visit publicaccountant.com.au and join the conversation.

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

Mumbrella PUBLISH Awards 2019 FINALIST

CONTENTS

Inside this issue



INSTITUTE OF PUBLIC ACCOUNTANTS

Public Accountant is published bi-monthly by Momentum Connect for the Institute of Public Accountants.

Vol. 37 No. 3 ISSN 1839-4264

Editorial board IPA
Wayne Debernardi
Vicki Stylianou

Content manager
Maja Garaca Djurdjevic

Journalists
Adrian Flores
Cameron Micallef

Designers
Dan Berrell
Allisha Middleton-Sim
Jack Townsend

Senior production editor
Keith Ford

Production manager
Lyndsey Fall

Editorial enquiries
Maja Garaca Djurdjevic
(02) 9922 3300
maja.djurdjevic@momentumconnect.com.au

Advertising enquiries
Jehan Hapuarachchi
(02) 9922 3300
jehan@momentummedia.com.au

Subscriptions
(03) 8665 3100

MOMENTUM CONNECT

Momentum Connect
Level 13, 132 Arthur Street,
North Sydney, NSW, 2060

To be viable or not to be – that is the question

| Julie Williams FIPA FFA |

COVID has been devastating on so many levels but as a nation, it has also sharpened our focus and much needed attention to areas of our economic progression that has been lacking for many years

ONE SUCH area, and in fact a by-product of the COVID era, has been the acceleration of reforms to Australia's outdated insolvency regime.

For instance, the changes to insolvency legislation, effective 1 January 2021, have seen the creation of small business restructuring practitioners (SBRPs).

The winding up of a business is now more streamlined compared to what previously existed. However, the question remains around the viability of small businesses around Australia.

The IPA advocated in unison with the other professional bodies and the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), that many small businesses may be viable if they obtain the right advice.

We all know that small businesses have been badly affected by the COVID-19 pandemic. In the space of two years, Australia has been hit with devastating bushfires, a pandemic and more recently widespread floods on the east coast and cyclones on the west coast.

Many doors have not reopened. The insolvency process is now designed to assist small businesses exit the market with the least anguish possible.

However, there is a role for accountants in assessing the viability of small businesses before they reach the formal restructuring stage and the later simplified liquidation stage. While the insolvency reforms have been a step in the right direction, the IPA believes more can be done to test the viability of many small businesses.

For this reason, the advocacy efforts continue for the government to provide financial assistance to small businesses that may be viable going forward. The IPA and the ASBFEO, along with CPA Australia and CA ANZ, have called for up to a $5,000 grant that would allow small businesses to obtain the sound financial and business advice they require. This will make professional advice affordable for the many small businesses that have experienced declining cash flow.

Access to a $5,000 grant could assist a small business to be guided through a recovery and rebuild phase; or alternatively, the money may assist the business to exit the market with the least ramifications to the owners, employees, and families.

The IPA will continue to advocate for the inclusion of such a grant within the insolvency legislation.

Follow Andrew Conway
twitter.com/andrewconwayceo

A budget to reboot our economy

| Andrew Conway FIPA FFA |

In May, we were in Canberra for the handing down of the 2021 federal budget, a mere six months from the COVID-delayed budget in October 2020

WHILE THIS budget can be considered as an 'election budget' with a cash-splash across many sectors, it is a true indication of the government's focus on the critical recovery path required to reboot our economy. Opening the Treasury coffers to facilitate recovery will create many growth opportunities, including employment.

There is no question that the longer-term game is still ahead of us and, ultimately, Australia's deficit will have to be addressed, but I believe this budget's focus on recovery and rebuild will lead to the required fiscal repair over time.

The IPA will continue to advocate for longer-term structural economic reform and there are structural deficiencies that are still with us which pre-date the pandemic crisis. Issues such as workplace relations, the need for holistic tax reform and the level of regulatory burden that continue to weigh down our economy, must be addressed. But for now, the focus for all Australians must be recovery and rebuild to underpin the growth phase.

The global pandemic has been hard, but we are in a very fortunate position compared with so many countries around the world.

We speak of recovery, but this does not mean a return to a pre-COVID Australia. It will be different, and we must take the lessons learnt throughout this crisis into our future planning.

I have described this year's budget as the *Game of Thrones* budget – "Winter is coming" – the government is backing itself to ensure we survive the winter, but we also need to ensure that we transform the economy and be ready to thrive.

Our annual Budget Breakfast, held in partnership with the Canberra Business Chamber on the morning after budget release, was a huge success with more than 400 attendees (physical and virtual). Our MC this year was renowned journalist Karen Middleton who gave her perspective on the budget, followed by short presentations by senator Zed Seselja, Minister for International Development and the Pacific, and Dr Andrew Leigh, shadow assistant minister for treasury and charities.

It was great to have so many questions from our audience for the ministers to respond to in our Q&A session. I am looking forward to the opportunity to resume next year's Budget Breakfast back in the Great Hall in Parliament House, Canberra.

Victorian budget support for small business

SMALL BUSINESS has been given a leg-up in the Victorian government's post-pandemic budget for 2021–22, with Treasurer Tim Pallas outlining new tax relief measures to aid recovery.

In regional Victoria, the payroll tax will be reduced to 1.2 per cent, down from 2.02 per cent, kicking in from 1 July, to assist about 4,000 businesses.

Victorian Treasurer Tim Pallas prioritised the funding for those who copped it worst in an unprecedented year of challenges.

"We're focused on helping those who need it the most — vulnerable Victorians, struggling small businesses, jobseekers and families," Mr Pallas said.

Small business wage subsidies will be continued through the government's $619 million Jobs for Victoria program.

For eligible businesses, the initiative provides wage subsidies of up to $20,000, if they hire jobseekers, to be used towards the costs involved to take on new employees for the first year of employment.

The New Jobs Tax Credit established last year will be continued, helping eligible small and medium businesses rehire staff and create new jobs to ramp up business recovery with a tax credit of 10 cents for every dollar spent in increased wages.

For skills and training, the budget spending is $384 million to equip business with required skills. Of this amount, $86 million will go towards a new Victorian Skills Authority to bring together industry, providers and other stakeholders so they can prioritise training areas and to create an annual Victorian Skills Plan.

$4.3
MILLION
Franchise Disclosure Registry allocation over a four-year period

$10
BILLION
Reinsurance pool to cover cyclone and flood damage across northern Australia

$1.2
BILLION
Investment in the digital economy by 2030

$134.6
MILLION
The deregulation package announced in the budget

$2.3
BILLION
The budget inclusion for mental health spending

Plans for new Franchise Disclosure Registry to boost small business confidence

Prospective small business franchisees will soon be equipped with vital information needed ahead of entering into a binding franchise agreement, to avoid getting into trouble further down the track. That's thanks to the federal government announcement to establish a new mandatory Franchise Disclosure Registry, with $4.3 million funding allocated in the 2021 budget over a four-year period, starting in early 2022.

Govt announces $1.2bn injection into new tech and innovation

The federal budget is set to include a $1.2 billion injection into new technology and innovation, the Treasurer has revealed. Over $1 billion is set to be allocated to growing Australia into a "modern and leading digital economy" by 2030. The government said Australia's place in the world will be defined by how it adapts to digital technology, with Treasurer Josh Frydenberg opining a vibrant digital economy is key to Australia's economic future.

Expanding self-education tax deductions is 'a no brainer'

The Institute of Public Accountants (IPA) is hopeful the government will pull the trigger on last year's federal budget proposal to proceed with expanding self-education deductions. Noting that "our tax system inhibits rather than incentivises reskilling and retraining", IPA CEO Andrew Conway has called on the government to proceed with expanding self-education deductions. "Education expenses that do not have a sufficient connection to an individual's current employment are currently not deductible," Mr Conway said.

Accounting sector reaches record confidence

The accounting sector is experiencing renewed confidence in business conditions and ramping up growth opportunities, despite the disruption caused by the COVID-19 pandemic, new research has revealed. According to CommBank's latest Accounting Market Pulse report – an annual analysis of the accounting sector – more than 80 per cent of accounting firms reported stable or growing profits as competition among new service providers and disruptors eased.

$10bn reinsurance pool to cheapen insurance for small business

A new federal scheme is launching next year to slash the price of insurance premiums for small businesses in northern Australia. The government has announced a guarantee for insurers in the form of a $10 billion reinsurance pool to cover cyclone and flood damage across northern Australia from 1 July 2022. Applauding the announcement, the ASBFEO Bruce Billson said this initiative will ensure insurance premiums are more affordable for small businesses.

New guidelines announced to help tax agents verify identity

New guidelines will strengthen and modernise the practices and controls that registered tax practitioners follow when verifying the identity of their clients, the Tax Practitioners Board and the Australian Taxation Office have announced. The ATO and the TPB have announced measures to intercept attempted identity fraud targeted at registered tax practitioners and their clients.

IN THE MEDIA

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

Prepare for BAU from the ATO

"The GFC effectively told the ATO that they can't stop everything for too long because the debt problems become more sizeable down the track."

Tony Greco, Accountants Daily

Deakin University Counting on U training program

"After taking this course, I have had direct conversations and supported a number of individuals access clinical services," Mr [Andrew] Conway said. "If taking this course results in one person accessing professional services sooner, then surely it is worth doing."

Accountants Daily

Bracing for ATO audit and debt activity

"The issue is how they identify which business isn't struggling and which one is once JobKeeper ends, and obviously, we encourage them to go to their intermediaries like tax agents to ascertain what the situation is before they go full-on re-engaging."

Tony Greco, Accountants Daily

Calls for government to address Division 7A

The Institute of Public Accountants general manager of technical policy Tony Greco believes the time is ripe for the government to re-engage with the profession, arguing that the ongoing limbo places practitioners and clients in a precarious position.

Accountants Daily

ASIC decision to increase the levy

Describing the recent levy increase as "shameful", the SMSF Association, Chartered Accountants Australia and New Zealand, CPA Australia, Financial Planning Association of Australia (FPA) and Institute of Public Accountants warned it would lead to a greater number of advisers exiting the industry.

Selfmanagedsuper Magazine

New education deduction

Tony Greco, general manager of technical policy at the IPA, believes the new deduction will instead fill a void in the tax system that has neglected taxpayers who have been forced to bear the full cost of retraining and reskilling, despite the productivity boost it delivers to the economy.

Accountants Daily

Blanket lodgment deferrals

"Realistically, we're going to have to slow down," said the IPA's general manager of technical policy, Tony Greco. "We still have 2020 lodgments and we still have to prepare clients for a post-JobKeeper world."

Accountants Daily

E-invoicing lead to automated BAS

"E-invoicing does not remove such complexity and human oversight is normally necessary to ensure it is accurate. Manual adjustments are a common occurrence, so unless you simplify our GST rules, automation can be problematic."

Tony Greco, Accountants Daily

ATO return to normal

"What is required is that people get on the front foot, and when they get those debt letters, communicate their circumstances, and then look at the available options that the ATO provides."

Tony Greco, Accountants Daily

Extension relief on NALI

Institute of Public Accountants general manager of technical policy Tony Greco said that the ATO's transitional relief will allow the profession and SMSF trustees to adjust their practices to avoid the draconian consequences of NALI. "This is particularly for nil expenses, what the SMSF would otherwise have been expected to incur if the parties were dealing on an arm's length basis," he said.

Accountants Daily

The IPA's budget breakfast is back

The morning following the release of the budget, the IPA held a federal budget breakfast at the Hyatt Hotel Canberra, in conjunction with the Canberra Business Chamber

THIS EVENT has been a tradition for many years and adapting to the impact of the COVID-19 pandemic this year, the tradition continued in a modified format. Besides enjoying an intimate breakfast, the attendees were treated to a rundown of how the 2021 federal budget would impact small business and the wider community, hosted by political journalist Karen Middleton.

Speakers included senator Zed Seselja, Minister for International Development and the Pacific, and Andrew Leigh, shadow assistant minister for treasury and charities.

Following breakfast, the panellists conducted a session to over 400 virtual attendees analysing the details of the federal budget as we emerge from the global pandemic.

Events are back!

Following a 12-month COVID-induced standstill, IPA events are back on and the members are rejoicing!

THE INSTITUTE OF PUBLIC ACCOUNTANTS is well known for its informative and motivational events, encouraging members to mingle, let loose and celebrate their successes.

But, much like organisations across the world, the Institute was forced to put a stop to all live events at the onset of COVID-19 in March last year. And after a 12-month hiatus, events are now back on!

The Western Australian State Congress was one of the IPA's inaugural post-COVID events. Held at the Ritz-Carlton Perth over two days, the event brought together 130 members and was sealed with a party at the Bell Tower, providing delegates the opportunity to network with their peers in unique and iconic surroundings.

However, the WA Congress only scratched the surface of the IPA's 2021 calendar, which boasts an abundance of events, seminars, workshops and parties, all culminating in the famous IPA National Congress, to be hosted in tropical Surfers Paradise in November.

Until then, you can find the IPA's events schedule at *publicaccountants.org.au.*

WHAT DID THE MEMBERS SAY?

Members were more than happy to return to live events and this is what they had to say:

"Excellent WA Congress – informative, inspiring and motivating.
– Joel Schreiber FIPA

"Well organised, value for money and valuable learning experience.
– Paul Hughes MIPA

"Great congress, informative and relevant. Community spirit and great location. Thanks to Kerrin, Laura, Andrew C, Andrew, Vicki and Tony.
– Catherine Keogh MIPA

"After 45 years of membership of another professional accounting organisation, my decision to transfer to the IPA four years ago has not been a disappointment. I am highly satisfied with my membership of the IPA.
– Howard Shepherd FIPA

"Well organised, great venue and location. Activities and entertainment excellent.
– Susan Stirling FIPA

"Great to have a face-to-face seminar.
– Anonymous

ATO sheds light on crypto compliance focus

The Tax Office has urged advisers and taxpayers alike to heed its guidance on accounting for cryptocurrency come tax time, when it will be looking to ensure that all capital gains events are accurately reported — not just gains

| by John Buckley |

SPEAKING AT a tax-time tips seminar in late May, ATO assistant commissioner Adam O'Grady warned tax agents and taxpayers that his office will be closely watching all capital events related to cryptocurrency come tax time.

"It is really important for all capital assets; we will be looking to ensure that the people have reported the capital gains events — and this is for both gains and losses," Mr O'Grady said.

Mr O'Grady urged tax agents to make use of data pre-filled by the ATO. He said that in addition to using pre-filled data to assist agents submit accurate returns, it will also be using data supplied by Australian cryptocurrency exchanges to cross-reference returns.

"We get information and data on property sales from all the state and territory revenue offices," he said. "We have very good shares data as well and it's available as a pre-filled service [where] you can download different shares transactions for your clients.

"We are also getting cryptocurrency information from Australian scientists as well. So we'll be using that information to look at returns as they come in.

"And when people have had significant capital gains events according to that data, if it's not reported in the return, we'll be looking to hold those returns and again enquire with you and with your clients as to where those transactions are."

Mr O'Grady stressed the importance of reporting all capital gains events — whether they be losses or earnings — to avoid unwanted attention from the Tax Office.

"One of the emerging themes we are seeing in the capital gains space is losses not being reported through the tax return. It's really important to still report those losses through the return," he said.

"Not only does it avoid us having to follow up as to why you haven't done that for the year, and while it may not be a financial impact to you, or the clients this year, because those losses are quarantined. It applies for future years."

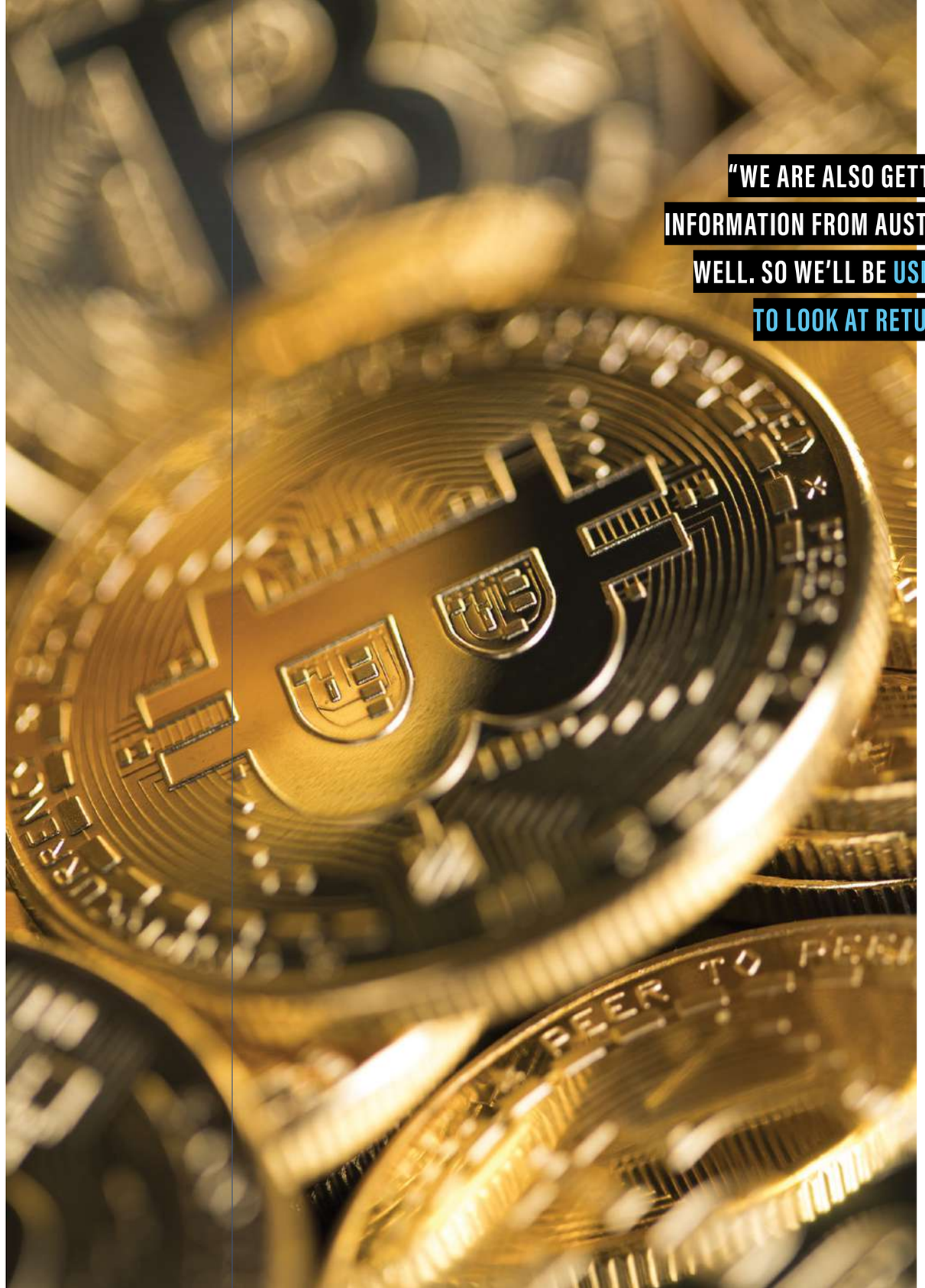
Mr O'Grady's warnings follow the beginnings of an ATO crypto compliance crackdown last year, as the pandemic prompted a marked increase in consumer investment.

The Tax Office has since allocated substantial resources into cryptocurrency data matching and the promotion of taxpayer obligations for those buying, selling and holding crypto assets.

The ATO last year said that it would work with designated service providers, or DSPs, to obtain data used to identify buyers and sellers of crypto assets and quantify related transactions. The Tax Office then uses data provided by DSPs and cross-references them against ATO records to identify individuals who may not be meeting their registration, lodgement or payment obligations.

Last year, the ATO took a good-faith approach to those who had failed to meet their crypto asset tax obligations, but it isn't expected to last much longer, according to H&R Block director of tax communications Mark Chapman.

Mr Chapman in February said that now is time for those involved in cryptocurrencies to pay attention to the "tax side of things", before the ATO ramps up enforcement of undeclared crypto assets.



"WE ARE ALSO GETTING CRYPTOCURRENCY INFORMATION FROM AUSTRALIAN SCIENTISTS AS WELL. SO WE'LL BE USING THAT INFORMATION TO LOOK AT RETURNS AS THEY COME IN"

"I think the first thing to say is that the ATO has, within the last year or so, started gathering data from cryptocurrency exchanges, the actual providers," he said. "As a result of that, I think the ATO now has a much better understanding of who's involved in this market."

While the ATO has been expected to ramp up auditing around cryptocurrencies for the past three years, and hasn't, its "light touch" isn't expected to last much longer.

The ATO first showed signs of cracking down on compliance in March last year, when an undisclosed number of letters were sent to taxpayers, warning them to come clean with their capital gains or losses.

"Quite a few clients and non-clients have received these letters from the ATO, flagging that there's a mismatch in their data," Mr Chapman said.

"And I think that's prompting a lot of people to come in to see their tax agent, or maybe to see a tax agent for the first time if they've been doing it themselves.

"But I'm not convinced that [the ATO's light-touch approach] will necessarily last forever.

"I think, as the data comes in, as the ATO has a greater awareness of how many people are in this space, they will start to take a slightly firmer line."

Resolving disputes on the cheap

The Australian Taxation Office has launched its small business independent review service following recommendations from the small business ombudsman

| by Adrian Flores |

IN MARCH, following a successful pilot stretching multiple years, the ATO made its small business independent review service a permanent offering.

Since the pilot program started in 2018, more than 1,200 small businesses have been offered the service and more than 180 small businesses have taken up the ATO's offer.

The service is available for eligible small businesses with an annual turnover of less than $10 million in relation to disputes about income tax, GST, excise, luxury car tax, wine equalisation tax and fuel tax credits. However, disputes about employer obligations like superannuation and fringe benefits tax are not eligible for the independent review service.

The ATO's small business independent review service is available to eligible small businesses in addition to other dispute options, for example, lodging an objection, in-house facilitation, or by taking the matter up with the Inspector-General of Taxation and Taxation Ombudsman or the Australian Small Business and Family Enterprise Ombudsman.

ATO deputy commissioner Jeremy Geale said the service is all about ensuring small businesses are given the opportunity to achieve an independent, fast, free and fair resolution when they disagree with the ATO's audit position.

He also clarified that taxpayers can request in-house facilitation at any stage of a dispute with the ATO and that the independent review occurs prior to the ATO issuing an amended assessment and any resulting debt being raised.

"Independence is critical when handling a dispute, so we ensure each and every independent review is done by an officer from a different part of the ATO who was not involved in the original audit," Mr Geale said.

"Small businesses who participated in our pilot told us they found the process to be fair and independent, irrespective of the independent review outcome, so this is a great result, and is a big part of why we are locking this service in permanently."

The ATO's decision to transition the pilot to a permanent offering follows recent recommendations made by the Australian Small Business and Family Enterprise Ombudsman.

Current small business ombudsman Bruce Billson said it's a substantial step in the right direction in ensuring small businesses are given a fair go.

"This ATO service marks an important contribution to a supportive environment which is needed now more than ever as small businesses recover from an incredibly tough 12 months," Mr Billson said.

"The ATO's small business independent review service is a crucial part of ASBFEO's vision of a tax system that works for the small business sector so businesses can achieve greater productivity, return to profitability and grow employment."

ASBFEO report highlights difficulties with SME justice

When Mr Billson's predecessor Kate Carnell released the *Access to Justice Report* last year, she said small businesses urgently need pathways to resolve their disputes quickly and cost-effectively.

Ms Carnell called for the introduction of less formal, timelier and cost-effective channels of dispute resolution to tackle a predicted rise in disputes on the back of the COVID crisis. She also asked the government to overhaul the dispute resolution framework, saying that the current court system doesn't work for small businesses.

"Trying to resolve a dispute through the courts is just not a viable option for most small businesses," Ms Carnell said.

NewAccess
NewAccess for Small Business Owners is a free and confidential mental health program, developed by Beyond Blue to give small business owners the support they need. Visit www.beyondblue.org.au

"IT'S PROHIBITIVELY EXPENSIVE AND TIME-CONSUMING. WE KNOW SMALL BUSINESSES ARE MORE LIKELY TO ABANDON BOTH THE DISPUTE AND THE COMMERCIAL RELATIONSHIP, THAN SUFFER THE COST AND MENTAL LOAD OF TAKING LEGAL ACTION"

FIVE MAJOR FINDINGS FROM THE ASBFEO ACCESS TO JUSTICE REPORT

The ASBFEO's report essentially provides a five-point plan to ensure small businesses have access to tailored dispute resolution processes that are less formal, more timely and more cost effective. These include:

- Strengthening unfair contract terms protections
- Promoting alternative dispute resolution
- Providing access to voluntary, binding arbitration
- Greater access to tribunal and court determinations for disputes
- Supporting the wellbeing of small-business owners through permanent funding of the Beyond Blue NewAccess for Small Business Owners program

"It's prohibitively expensive and time-consuming. We know small businesses are more likely to abandon both the dispute and the commercial relationship, than suffer the cost and mental load of taking legal action."

Ms Carnell explained that small businesses have been hit hard by the COVID crisis and in this time of unprecedented hardship, disputes inevitably arise.

During the crisis, she said the ASBFEO office has witnessed lease disputes rise nine-fold, with more than 570 cases in the June quarter alone.

"We know that state-based small business commissioners' offices were also inundated with these kinds of disputes," Ms Carnell said. "Commercial disputes are very common, but they can be devastating when not handled correctly.

"Clearly, alternative dispute resolution through mediation, conciliation and arbitration is the best way to preserve commercial relationships. Litigation, on the other hand, is a relationship killer."

Ms Carnell stressed the importance of introducing a system that allows for an external party to make a determination in situations when businesses can't resolve a dispute with the help of experts.

"Our report recommends forming a small business jurisdiction as part of the Federal Circuit Court to hear matters which cannot be heard by current state or territory tribunals. Damages would be capped at $5 million, matters would be aimed to be resolved within 60 days and small businesses could apply for a no adverse costs order so they are not saddled with the other party's costs," Ms Carnell said.

While current state tribunals have been found to be effective for small businesses, they are limited in dealing with cross-border and international disputes.

"For instance, a Queensland farmer who deals with a NSW processor would not be able to seek a resolution through either state tribunals," she said.

Ms Carnell also highlighted the need for mental health measures to be integrated into dispute resolution, something she says has never been more obvious.

"Given the enormous pressure small-business owners are under as a result of the COVID crisis and the inevitable stress that comes with being involved in a dispute, it is important that our dispute resolution avenues are supportive of participants' wellbeing," she said.

For more info on STP visit:
ato.gov.au/business/single-touch-payroll

Single Touch Payroll enters Phase 2

The next iteration of Single Touch Payroll now has a mandatory start date of 1 January 2022. What are the major changes for businesses?

| by Adrian Flores |

FOLLOWING ITS announcement in last year's federal budget, the ATO laid out some of the major changes to reporting for businesses under Phase 2 of Single Touch Payroll. The federal government said in the 2019–20 budget that Single Touch Payroll would be expanded to include extra information. The ATO also said the STP expansion aims to reduce the reporting burden for employers who need to report information about their employees to multiple government agencies and supports the administration of the social security system.

The ATO reassured businesses that it is working closely with digital service providers on updating their STP-enabled software.

"It's important to remember that all STP-enabled solutions have different functions and updates for the expansion will be offered in different ways. What you need to do to set up will depend on what product you use and how you manage your payroll," the ATO said.

One of the major changes is that businesses will need to provide extra information in their STP report regarding employment conditions.

The information will need to include employment basis (whether an employee is full-time, part-time or casual), tax treatment to help the ATO identify the factors influencing how a business calculated the pay-as-you-go (PAYG) withholding, as well as information if an employee leaves that will reduce the need for a business to provide them with separation certificates.

The ATO will also introduce the reporting of income types and country codes to identify payments employers make to their employees with specific consequences and to make it easier for them to complete their individual income tax return.

It said the reporting of income type and country code will help them identify where a business is using a concessional reporting arrangement such as for closely held payees.

Further, businesses will also need to report salary-sacrificed amounts in their STP report, which is aimed at making it easier for employees to understand their superannuation entitlements when looking at their income statement.

The current mandatory start date is a shift from its initial proposed start date of 1 July 2021 that was revealed in a draft legislative instrument for consultation that ran between 8 December 2020 and 14 January 2021. The original July 2021 start date was criticised by the head of The Association for Payroll Specialists (TAPS), Jason Low, as being "highly negligent of the work needed to carry out a smooth transition".

"While a positive act, its severe deadline is highly negligent of the work needed to carry out a smooth transition, and is bound to cause a series of disasters to the payroll industry and Australian economy as a whole," Mr Low said.

"Moving away from the payment summary categorisation of income, STP2 mandates employers to report data items each pay event by income type, including gross, allowances (tuple), overtime, paid leave (tuple), director fees, salary sacrifice (tuple), bonuses and commissions.

"These are further compounded by the added elements of child support deductions, parent period totals and employee YTD totals."

Even with a mandatory start date of 1 January 2022, Mr Low proposed a deferral of the mandatory start date to July 2022 at the earliest, saying that adapting to all of the mandates is no small task.

"Software developers will have to rely on the finalised specs, which ATO has yet to release, to write, trial and finalise the software functionality to reflect the new components before rolling it out to customers," Mr Low said.

"Only once that's done can we begin educating employers on the new software and its impact on the way they manage payroll. The proposed deadline of July 1st 2021 means people are forced to spend the next six months rushing to get work done that would have otherwise taken 12 to 18 months to complete."

KEY CHANGES
Source: ATO

The additional information you need to report should already be captured in your current payroll software. The key changes to the STP report include:

- Employment conditions;
- Income type and country code;
- Disaggregation of gross;
- Salary sacrifice;
- Lump sums;
- Reporting previous business management software IDs and payroll IDs; and
- Child support garnishees and child support deductions.

What isn't changing

While you will need to report additional information in your STP report, there are many things that aren't changing, such as:

- the way you submit your STP report;
- STP reports are still due on or before pay day unless you are eligible for a reporting concession;
- the types of payments that are in-scope for STP reporting;
- taxation and superannuation obligations; and
- end of year finalisation requirements.

EOFY wrap: Australia bounces back from the brink of catastrophe

The 2020-21 financial year will go down as one of the most challenging and ultimately successful 12 months in our nation's history

| by James Mitchell |

IT CAN be difficult to recall how pervasive the anticipation of doom was just 12 months ago. It's worth reviewing some of the news making headlines a year ago to fully appreciate how far we've come.

On 1 July 2020, Queensland borders reopened to some states but remained closed to Victoria as a result of the renewed COVID-19 spike. Stay-at-home orders were reimposed across Melbourne hotspot suburbs the same day.

On 1 July there were 86 new cases recorded across the nation. Seven days later there were 169. By the end of the month more than 600 Australians were being infected each day.

Thankfully, our daily rate of new cases fell just as fast as it had risen and by mid-October new case numbers were in the single digits.

Unemployment rate falls, borders reopen

While the second wave of the pandemic peaked at the beginning of August with 715 daily infections, the economy actually started recovering much sooner. In its August 2020 Statement on Monetary Policy, the Reserve Bank of Australia noted that economic conditions started to recover around May 2020 as containment measures eased and fiscal and monetary policies provided significant support.

The unemployment rate was 5.2 per cent in March 2020, before the pandemic. It peaked at 7.5 per cent four months later. The RBA and Treasury had forecast joblessness to peak at 10 per cent, but the addition of 115,000 new jobs in July helped avert a double-digit unemployment rate.

By the end of January 2021, NSW had recorded its 11th consecutive day of zero local coronavirus cases, which provided enough confidence for Queensland to lift its border restrictions.

Victoria lifted its last restrictions in early February, with Western Australia following shortly after.

Interest rates drop, property booms

One of the most significant features of the Australian economy over the past year has been the continuation of loose monetary policy settings.

After cutting the cash rate by 50 basis points in February 2020 to 0.25 per cent, Reserve Bank governor Philip Lowe made a further 15 basis point reduction in November. The interest rate has been at 0.10 per cent ever since. Such accommodative settings have had a profound inflationary impact on asset prices.

"The Australian housing market is booming," AMP Capital chief economist Dr Shane Oliver wrote on 21 April 2021.

"Prices are rising sharply, auction clearance rates are very strong, sales are surging, and housing finance is around record highs. This is being driven by record low mortgage rates, multiple home buyer incentives, economic and jobs recovery, pent up demand, activity associated with a desire to 'escape from the city' and an element of FOMO (fear of missing out)," he said.

Forecasts for prices to rise 15 per cent to 20 per cent in total across this year and next now seem consensus.

Ultra-low rates have also inflated Australian equities, with the S&P/ASX200 surging more than 20 per cent from 5,761 points at beginning of the fiscal year to over 7,000 by March, their pre-pandemic peak.

Looking beyond the pandemic

In its latest Financial Stability Review (April 2021), the RBA observed that financial systems in Australia and internationally have been resilient to the effects of the COVID-19 pandemic.

"If incomes remain below pre-pandemic levels, as government support is wound back, it increases the likelihood that some borrowers exhaust their financial buffers and ultimately default," the central bank noted.

However, the review did highlight the risk of excessive borrowing in an environment of ultra-low rates.

0.1
PER CENT
The official cash rate since November 2020

"Rising asset prices are helping the economic recovery and reducing the risk that falling prices would result in losses on loans financing those assets," the RBA said.

"However, risks from rising asset prices and debt could build, particularly if lending standards are weakened. Persistent increases in asset prices could lead to expectations rises will continue and so increase risk taking and borrowing, especially given low interest rates."

The Reserve Bank now fears that this could push asset prices above their fundamental values, which could lead to a correction in asset prices, which if borrowers' income fell could expose lenders to large losses on higher debt.

But there is plenty to be happy about moving into the next financial year.

"Concerns of widespread financial stress in the household and business sectors have eased as economic outcomes have exceeded expectations," the RBA noted.

"Improving economic conditions and temporary policy measures have supported households' and businesses' cash flows, allowing almost all to make debt repayments and most to maintain or even grow their liquidity buffers."

This has, in turn, reduced the risks of large-scale defaults on housing and business debt.

Government, banks and insurers step in to support flood victims

The Australian government, the major banks and insurers have all pledged their support to help victims of the recent 'once in a decade' floods that swept across NSW and parts of Queensland, as well as victims of the Tropical Cyclone Seroja in Western Australia

TORRENTIAL RAIN in parts of NSW and Queensland in mid-March caused flash flooding and damage across the states, especially in towns lining the North Coast, forcing thousands of evacuations and causing extensive property damage. Within weeks, Tropical Cyclone Seroja struck Western Australia, bringing down homes and endangering livelihoods.

The government, banks, insurers, supermarkets and charities immediately stepped in to pledge their support.

So, what's on offer?

In NSW and Queensland, the following support has been pledged to flood victims:

Federal government offers business support

Prime Minister Scott Morrison confirmed the federal government will underwrite 80 per cent of bank loans of up to $5 million for small and medium businesses in the flood-affected areas, with repayments to start two years into the loan. The measure is an extension of a support program available for COVID-affected firms.

"This is about backing the businesses and producers that are backing themselves to get back on their feet," Mr Morrison said.

The loans are on top of a recovery grants program jointly funded by the federal and NSW governments.

Small businesses can get up to $50,000 and primary producers up to $75,000 if they have been affected by floods.

$1,000 and $400 Disaster Recovery Payments

The PM also activated the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance (DRA) for 18 NSW local government areas.

The legislation will allow for one-off payments of $1,000 for adults and $400 for children living in flood-affected communities.

Additionally, people eligible for DRA can access income support that is equivalent to the maximum rate of JobSeeker or Youth Allowance for a maximum of 13 weeks.

Minister for Emergency Management, David Littleproud, said the package provides assistance to those who have suffered a significant loss, including a severely damaged or destroyed home, serious injury or who have lost a family member.

"Our first concern is for the safety and needs of those directly affected, particularly those whose homes have been inundated by floodwaters," Minister Littleproud said.

Banks step in

In aid of those who have been negatively affected by the floods, the banks have offered their support to customers impacted by the floods. Speaking about the current weather event, Australian Banking Association CEO Anna Bligh urged impacted customers to contact their banks.

"Once the cleanup begins, it's important for people to know that they can talk to their bank to seek assistance," Ms Bligh said in a statement.

"The message from banks is clear: Don't tough it out on your own, your bank is ready to help."

Photography: NSW SES

As such, Aussie lenders are extending various forms of financial help to customers impacted by the floods, including:

- A deferral of scheduled loan repayments
- Waiving fees and charges, including break costs on early access to term deposits
- Debt consolidation to help make repayments more manageable
- Restructuring existing loans free of the usual establishment fees
- Deferring interest payments on a case-by-case basis
- Offering additional finance to help cover cash flow shortages
- Deferring upcoming credit card payments
- Increasing emergency credit card limits.

2021 Eastern Australia floods
Extreme rainfall on the east coast of Australia began on 18 March 2021 and led to widespread flooding in NSW, affecting regions from the North Coast to the Sydney metropolitan area in the south. The natural disaster caused 18,000 people to evacuate and over a billion dollars in damages.

Will my insurance cover it?

Similarly, the Insurance Council of Australia (ICA) has now declared a catastrophe for much of NSW and South-East Queensland.

This means that claims from affected policyholders will be given priority by insurers; claims will be triaged to direct urgent assistance to the worst-affected property owners; and ICA representatives will be mobilised to work with local agencies and services and affected policyholders as soon as emergency services say it is safe to do so.

Moreover, insurers are also set to mobilise disaster response specialists who will assist affected customers with claims and assessments as soon as it is considered safe to do so.

"It's too early to understand the extent of the damage to property in affected areas and to estimate the insurance damage bill, however insurers have received over 5,000 claims in the past few days," said Andrew Hall, CEO, Insurance Council of Australia, in its catastrophe declaration towards the end of March.

"As many areas are currently inaccessible due to floodwater, insurers are expecting further claims in ... as emergency services allow residents to return to their properties to examine the extent of their damage and losses," Mr Hall noted.

Support is also heading west

Lenders have begun offering disaster relief packages for customers impacted by Tropical Cyclone Seroja.

The West Australian town of Kalbarri (about 500 kilometres from Perth) was ravaged by ex-Tropical Cyclone Seroja as a category three storm on Sunday, 11 April. In the wake of the cyclone, lenders have begun announcing disaster relief packages for customers in regions affected by the cyclone.

Commenting on the measures, NAB's executive general manager - retail, Krissie Jones said the measures would provide customers access to "immediate" financial support.

She said: "We are here to support all NAB customers, employees and the wider community before, during and after a natural disaster. Anyone who needs assistance or advice should contact us so we can discuss their circumstances and work out the best way we can help."

More financial advice reform: Single disciplinary body for financial advisers

The financial advice sector continues to be subject to reform, with the latest round being the bill to introduce the single disciplinary body (SDB) for financial advisers, as recommended by the Hayne royal commission

| by Vicki Stylianou |

OVERALL, THE IPA supports the establishment of an SDB; single, individual registration; and the removal of Tax (financial) Advisers (TFAs) from the *Tax Agent Services Act 2009* (TASA).

Single disciplinary body

The IPA supports the process of a 'triage' to ensure that minor matters or breaches do not create bottlenecks in the overall disciplinary process; and having a separate, efficient process to deal with minor matters and breaches. The IPA also has a two-tier process by which administrative breaches can be dealt with expeditiously whilst more serious breaches are channeled through the Disciplinary Tribunal and then the Appeals Tribunal (if applicable).

The success or otherwise of the new SDB will depend on adequate funding and attracting the most appropriately qualified and experienced people for the Financial Services and Credit Panel (FSCP).

Even though inadequate funding has plagued ASIC for many years, we remain hopeful that this will not extend to the SDB. Further details on funding and the pool for the FSCP would be welcome and we anticipate further consultation will be undertaken in due course.

The following are extracts from the IPA's submission to Treasury, which can be found at: **publicaccountants.org.au/media/3300102/Sub-Treasury-SDB-14052021docx.pdf**

We fully support the need for a broader range of sanctions that can be applied in a proportionate way to the breach which has occurred. This is standard practice for most disciplinary bodies, including the IPA as a professional accounting body, which has a range of sanctions that can be matched proportionally to the severity of the breach.

Some of the prevailing concerns from IPA members have been the heavy consumer bias and 'no risk' process from the complainant's point of view even if frivolous claims are made; and the perception that applicants are being "persuaded" as to the manner in which they frame the claim from parties internal to the process. IPA believes from an equity perspective that there should be some risk to the complainant to protect against absurd actions, perhaps a refundable deposit unless the claim has no merit as an example.

In this regard we refer to our submission to Treasury in April 2021 on the review of the Australian Financial Complaints Authority (AFCA). Even though AFCA serves a different function, we believe that lessons can be learnt as AFCA also deals with consumer and other stakeholder complaints. In this regard we refer to judicial criticism of the consumer bias.

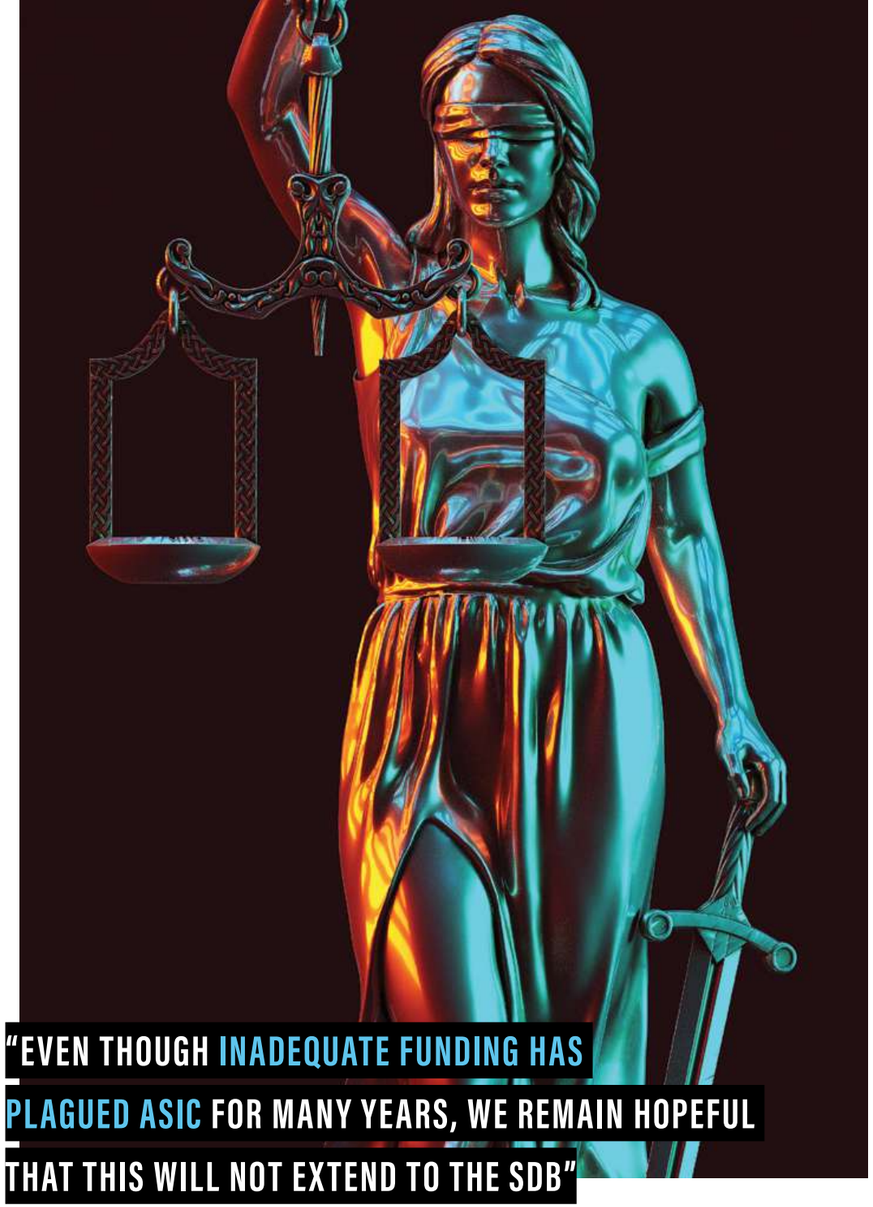
Registrations

The IPA firmly believes that the consumer and public interest are best served by a system of individual responsibility and accountability, which require individual registration. This would be consistent with other professions that rely on individual responsibility and accountability, such as the legal and accounting professions. These require the individual to be responsible and accountable for their own professional and ethical behaviour, including compliance with education and ongoing training. For accountants, the professional, ethical and education standards, including the fit and proper person requirement, are all implemented and enforced at the individual level.

The role of 'dealer groups' has been explored in ASIC CP 332 and the promotion of affordable financial advice for consumers.

In that context, it has become apparent that the role and function played by the larger licensees or dealer groups has led to an increase in costs. In terms of reducing costs, the IPA's contention is that reducing the regulatory burden will in turn reduce the overall cost for consumers of obtaining financial advice. This is partly driven by a risk averse approach to compliance, which would be removed or reduced if the legislative accountability under the *Corporations Act* was shifted to individual registrants. This is another reason to base the registrations on an individual level.

Further, it is duplicated regulation to have individuals and licensees being responsible for compliance with the standards. It would be unfortunate and unfair for any adviser to be unregistered despite being authorised, simply because of the oversight or negligence of their licensee. Licensees have reporting obligations that won't change under the proposed legislation; and individual advisers can still engage with them for compliance support, investment and research support, and so on. Any further cost escalation will force many small practices out of effective operation immediately and over the next couple of years if changes are not made to enable them to comply more efficiently. The current regime forces a large degree of responsibility to the licensee, which is a layer of monitoring paid for by the licensee, to support ASIC. Again, we refer to our submission on CP 332 for further detail.



"EVEN THOUGH INADEQUATE FUNDING HAS PLAGUED ASIC FOR MANY YEARS, WE REMAIN HOPEFUL THAT THIS WILL NOT EXTEND TO THE SDB"

Follow Vicki Stylianou
twitter.com/vickistylianou

Tax (financial) advisers

IPA supports the removal of TFAs from the TASA. We note the Explanatory Materials, which refer to there being no regulatory gaps, and recommendation 1.9, which states that the Tax Practitioners Board Review had the objective of reducing red tape for the tax profession.

The Explanatory Materials state that "the changes will reduce duplicate regulation but do not create a gap in regulation". IPA believes the bill presents a timely and ideal opportunity to consider other areas of regulatory duplication.

We suggest that Treasury could identify areas of regulatory duplication that could benefit from similar treatment to that being applied to TFAs. IPA would welcome the opportunity to work with Treasury and other stakeholders in this process.

During the transition process and on an ongoing basis there should be extensive co-ordination and collaboration between ASIC, TPB and Treasury (and FASEA until its winding up) on all regulatory matters, including the operation of the disciplinary process.

There is more reform to come, including a full review in 2022, so stay tuned.

Vicki Stylianou
group executive advocacy and policy, IPA

Mental wellbeing – Still top of mind for IPA

The IPA continues to support members and small business in many ways, and this includes ongoing work to address mental health issues and to promote wellbeing

| by Wayne Debernardi |

IPA'S MENTAL health and wellbeing strategy is based on three pillars:

Education and awareness – includes promoting the resources and services of our corporate social responsibility partners including Beyond Blue, Uprise and Good360, and our ongoing research through the IPA Deakin SME Research Centre.

Dialogue – this is about empowering people to have dialogue in a safe environment. It includes supporting initiatives such as The Male Hug and providing mental health first aid training.

Clinical support – to assist those people in need of professional services and potential ongoing counselling and treatment.

Counting on U

In announcing the Counting on U (CoU) grant in November 2020, then minister for employment, skills, small and family business Michaelia Cash was quoted as saying "the government is making record investments in mental health services and support the expenditure estimated to be $5.7 billion this year alone".

"Small and family businesses are the lifeblood of our communities and the backbone of our economy, so it is crucial they emerge from the pandemic in the best financial and emotional shape possible," said Ms Cash.

The roll-out of the CoU has progressed well, co-ordinated by Deakin University, and facilitated through the IPA and the other two professional accounting bodies, in a phased approach.

The mental health first aid training provided through the CoU program will empower participants to recognise the signs of mental stress amongst their small business clients, colleagues, friends, and family members. This training is to enable accredited mental health first-aiders to have what can often be a difficult conversation and where necessary, encourage a person to seek further professional medical advice.

The CoU program is not designed to create a plethora of unqualified psychologists. Its focus is on creating the necessary dialogue in a safe environment.

A LITTLE BIT OF HISTORY

To develop the three pillars, there have been a few milestones along the way.

2017

- IPA conducts a national small business road show where overwhelming anecdotal evidence was captured with many stories of mental health stressors.

2018

- The 2017 anecdotal findings add to the significant research conducted by the IPA Deakin SME Research Centre and mental health is added to the second edition of the IPA's Australian Small Business White Paper.
- IPA senior management are trained in mental health first aid conducted by Mental Health First Aid Australia. This is followed by a rollout of the training to members.
- IPA advocates for a federal response to the small business mental health crisis and with IPA CEO Andrew Conway taking the lead, the first roundtable meeting with the Prime Minister and key stakeholders is conducted.

2019

- The PM roundtable discussion leads to a series of government run working groups, of which the IPA is a key participant.
- The IPA, in collaboration with Beyond Blue, Mental Health First Aid Australia, Worksafe Victoria and Deakin University, is awarded a $559,073 research grant from the National Health and Medical Research Council to further the research and study efforts to progress and support small business mental health and wellbeing.

2020

- The Department of Innovation, Science, Energy and Resources (DISER) awards the IPA Deakin SME Research Centre a grant of $2.24 million for its "Supporting Small Business Advisors for Better Mental Health" project to train 5,000 accountants in mental health first aid.

2021

- The aforementioned project retitled as 'Counting on U' project commences its rollout in staggered phases co-ordinated by Deakin University and facilitated through the IPA, Chartered Accountants Australia and New Zealand (CAANZ) and CPA Australia.
- The IPA continues its work with Beyond Blue to promote Beyond Blue's NewAccess for Small Business Owners program.
- The IPA engages the services of Uprise, a digital assistance program for members, which is supported by a network of qualified counsellors and psychologists.

Beyond Blue – NewAccess for Small Business Owners

NewAccess for Small Business Owners is a new mental health program developed by Beyond Blue to provide small business owners the support they need. The program is free and confidential and unique, as it utilises coaches who have a small business background and experience.

NewAccess for Small Business Owners uses Low-intensity Cognitive Based Therapy (LiCBT) to recognise the way we think, act, and feel. The coach works with the program participant to help tackle unhelpful thoughts and behaviours, using an individual plan that both participant and coach develop together. The coach allocated to the small business owner works with the individual through a six-session program. It is designed to help the small business owner overcome difficult issues, providing practical skills to manage stress.

The program, which is an initiative created in collaboration between Beyond Blue and ASBFEO, is funded by DISER and will initially run through to March 2022. The program is available via phone or video call from Monday to Friday 8am to 8pm AEST. The program is closed on public holidays.

The following diagrams illustrate how the program works

We encourage members who are operating their own small entities and serving small business clients who could do with extra support to consider the NewAccess to Small Business Owners program.

For more information go to: *www.beyondblue.org.au/get-support/newaccess/newaccess-for-small-business-owners.*

Uprise – counselling and clinical support for IPA members

The IPA has engaged Uprise to assist with the support element of its mental health strategy. A program was piloted with Uprise in the aftermath of the 2019-20 bushfires and Uprise has provided service to several members since that time.

If any member, or staff of a member, requires clinical mental health support, the IPA will be offsetting the cost of the first consultation through the digital Uprise service, delivered by one of the Uprise team of qualified counsellors and psychologists.

If subsequent consultations are required, that will happen at the member's own expense or via referral for a mental health plan and subsidised through the Medicare system. For more information, see the IPA's website at: *https://www.publicaccountants.org.au.*

The Male Hug

The Male Hug (TMH) is an initiative developed IPA member Tony Rabah, who is CEO of the organisation, which seeks to raise the awareness of men's mental health and promote the open dialogue of this too often sensitive issue. IPA CEO Andrew Conway is an ambassador for TMH. Mental health issues continue to find associated degrees of negative stigma, particularly amongst men. TMH seeks to tackle the stigma associated with men's mental health as it looks to take its place as a support service for men. TMH's focus is to provide support and encourage men to talk in a safe and friendly environment that is free of judgement. For more information, see: *https://themalehug.com.au.*

Wayne Debernardi
general manager, public affairs, IPA

The IPA's advocacy update

The IPA's advocacy effort has continued to focus on the many challenges of rebuilding the economy post COVID. The team has worked with the key and relevant areas of government and the regulators. Below are some of the IPA's recent submissions. A complete list of IPA submissions can be found on the IPA website

Review of the Australian Financial Complaints Authority (AFCA)

Why is this submission important: To represent members' best interests in the financial advice sector when a client has made a complaint to AFCA.

This submission addresses whether the powers and processes of AFCA are calibrated appropriately, particularly in recognition of AFCA's impact on small financial firms compared to larger members that have the capacity to absorb the costs and time of the external dispute resolution process.

IPA members have raised various issues, including the imbalance between the rights of consumers/complainants and those of the adviser. AFCA has been judicially criticised for unfairly favouring consumers over advisers.

PCG 2021/D2 Allocation of professional firm profits – ATO compliance approach

Why is this submission important: Reinforcing objections to ATO's attempt to alter taxpayers' tax liabilities.

Further to the joint body submission in March, the IPA has reaffirmed its position on this matter.

The IPA, CPA Australia, Chartered Accountants Australia and New Zealand (CA ANZ), the Business Law Section of the Law Council of Australia, and The Tax Institute (together, the Joint Bodies) made a submission to the ATO relating to draft PCG 2021/D2 Allocation of professional firm profits - ATO compliance approach (the draft PCG) in March.

The Joint Bodies support the ATO's efforts to address artificial and contrived arrangements that seek to inappropriately alter taxpayers' tax liabilities. However, the Joint Bodies rejected three foundational propositions that, explicitly or implicitly, underpin the draft PCG.

Consultation Paper: Increasing Financial Reporting Thresholds For ACNC – Registered Charities

Why is this submission important: Public accountability is essential in deciding financial reporting thresholds.

The IPA's submission to Treasury reflects the IPA's belief that reporting by not-for-profit (NFP) entities, and charities, needs to be considered from a public accountability viewpoint.

The IPA does not believe that grant acquittals represent an adequate substitute as they do not provide the level of public transparency and accountability the public and taxpayers require for recipients of government funds, assets, and contracts.

The IPA is of the view that any changes to reporting thresholds needs to be considered in such a context, particularly given the increased distrust of government and institutions (both public and private) and the minimal cost savings of the proposals (between $2,400 and $3,000).

The IPA is also concerned that the increasing number of ACNC charities not required to be audited will put pressure on the ACNC's monitoring and reviews. The IPA has made recommendations for the basis of future threshold changes.

For a complete rundown of what the IPA has been doing during this pandemic, visit: publicaccountants.org.au/news-advocacy/covid-19-news

Full expensing of depreciating assets and small business entity pooling

Why is this submission important: To ensure a level playing field between small and large entities.

The IPA, CA ANZ, CPA Australia, Law Council of Australia, Tax & Super Australia, and The Tax Institute (together, the Joint Bodies) made a submission in relation to the recent legislative amendments contained in Schedule 1 to the *Treasury Laws Amendment (2020 Measures No. 6) Act 2020* (the amendments).

The amendments were designed to allow entities to choose whether to apply full expensing, so they can choose not to fully expense an asset. Nothing in the Explanatory Memorandum to the amending bill suggested the amendments would apply to 'eligible businesses' provided they are not SBEs with pool balances.

The practical effect of all these rules is that an SBE is required to fully deduct their pool balance on 30 June 2021, whereas larger businesses have the flexibility to choose not to apply full expensing on an asset-by-asset basis.

"EACH MONTH THE GROUP DISCUSSES PROGRESS FROM THE 2019-20 BUSHFIRES, WHICH HAS NOW EXTENDED TO THE FLOODS THAT FOLLOWED, THEN COVID-19 AND NOW THE WA FIRES HAVE BEEN INCLUDED"

Representation

National Bushfire Recovery Agency Peak Body Forum

Each month the group discusses progress from the 2019-20 bushfires, which has now extended to the floods that followed, then COVID-19 and now the WA fires have been included. Future management will come under the new Emergency Management Authority. However, this group will continue and absorb future events such as the recent Queensland and NSW floods.

Financial advice

There are numerous consultation groups relating to the provision of financial advice based on the inquiries and reviews that are currently underway. One of these is ongoing consultation with ASIC on Consultation Paper 332 Promoting access to affordable advice for consumers.

So far, there has been a roundtable on the issues and impediments that have been identified, with another roundtable scheduled to discuss possible solutions. Other forums have included the Treasury, Australian Law Reform Commission and other industry and professional associations.

The beginning of the

RENAISSANCE OF ENTREPRENEURIALISM

Bruce Billson assumes role of ASBFEO

Former small business minister Bruce Billson, who retired from Parliament in July 2016, is back in the limelight, but this time in an apolitical role – the office of the Australian Small Business and Family Enterprise Ombudsman. Taking over from Kate Carnell, Mr Billson shares his ambitions for his term in office and reveals whether this role will be a continuation of his previous work in the SME space

| by Maja Garaca Djurdjevic |

2.42
MILLION
Active trading businesses in the Australian economy as of June 2020, according to the ABS

Question: First of all, congratulations on your appointment. Kate Carnell certainly made a mark on the small business community as the inaugural small business ombudsman, how do you intend to make the office your own?

Bruce Billson: Well, I recognise I've got enormous shoes to fill. Kate made a wonderful contribution and was a real asset to the small business and family enterprise community. It's terrific when you look back at the contribution she made. So, I've always honoured Kate in that role. And she carried it out in the way that I'd envisaged and hoped for at the time, when, as cabinet minister, I made the commitment to form this agency, and to provide the legislative foundation that it needed. So that was terrific!

My opportunity is to build on that really, really strong and solid footing in the achievements that Kate was able to secure, to bring some particular interests in areas of focus to the role, and to support the agency's evolution into the next stage. The advocacy work is crucial, and there are opportunities there. Off the back of some of the good inquiry work that the office has done to engage in a very constructive, and collaborative way, with policy and decision makers and regulators.

That's really improved the environment within which business owners and leaders are operating.

So that's a real focus, and to try and get some meaningful change through advocacy channels. The assistance function we provide – that's really, really been vital throughout COVID. And we see some opportunities to build on that COVID area of support and to look at what we can apply that we've learnt from that phase.

Both in terms of disaster response assistance, but also in the way we communicate, better practice examples, the tools and resources that are available, and really be the best ally that small businesses and family enterprises can hope for. So, there's a real opportunity there.

I think there's always further opportunities to raise the profile of small business and family enterprise communities.

That's really about our future economic prospects, but it's also about the vitality of the communities within which they operate. Because they're always contributors on so many levels. And I suppose that then brings us into what can we do to continue to elevate the awareness of the importance of our sector, and the people in it and the opportunities they make possible in the eyes of decision makers and policy makers, so that's front of mind. That was my ambition when I was cabinet minister.

To always ensure that governments, political leaders, and opinion leaders in our community had small businesses front of mind, and first in their thinking.

What we're imagining is the future economic and employment prospects for our nation. So, I suppose that's the broad brush, if I could put it that way.

Q: Small business has had an extremely tough year and the ASBFEO has been key in pushing for government support, what will you recommend to focus on moving forward?

BB: There's a couple of specific areas that are really a primary focus in this immediate term. We want to continue to support the recovery and the prospects of living alongside COVID, and that post-pandemic world that we're moving into. So, we're really doing all we can in that space.

Access to finance continues to be an absolutely compelling issue for many small enterprises. Finance is the oxygen of enterprise, and if it's not available it inhibits growth and future prospects. Likewise, if it's too available, people can tend to go silly, but we're still getting many reports around the difficulty of accessing finance.

I know from my former role, the opportunity for mediation and alternative dispute resolution to be a cost effective and really, really timely way of resolving commercial disputes and grievances. I still think there's scope there to make sure that smaller enterprises have every opportunity to succeed in the economy, and where disputes arise, let's get them resolved quickly, and affordably, so businesses can get back to business. That's a real priority for me.

I think there's lots of good things happening around deepening the digital engagement of smaller businesses and family enterprises. But I think there's more to be done there. We saw during the COVID era, when the lockdowns were at their most stringent, that many businesses relied on their online presence and their digital tools to keep in business, and even to grow their business. And that's going to be a continuing trend into the future. And if we can support smaller enterprises being as deeply engaged with digital tools and technologies, we think that'll be a real strength of future growth, and vitality and resilience. So, we think that's important.

That's a broad sweep of things. And, probably the last thing I'd put into there is better research and better data. That's brought together through my agency as an authority source of insights and analysis that helps decision makers. But also, to really probe more deeply into the regulatory impact space.

I know it's probably not the sexiest topic we could be talking about, but I'm still a great believer in opportunities for better rightsizing regulations for small business and family enterprises.

But there's still too much thinking that the regulation developed with bigger businesses, and through consultation with fewer larger enterprises or industry associations, is a good way of doing regulation. And that somehow smaller businesses are just a shrink-wrapped version of bigger businesses. I think we need to shift that thinking. And, I've really been encouraged by the discussions I've had with Ben Morton, the Assistant Minister to the Prime Minister and Cabinet.

They're looking at regulation to pursue further opportunities for removing burdens that are unnecessary, but rightsizing those that remain so that they're not a disproportionate impost on smaller businesses. And I suppose that brings us back to our mission, making Australia the best place to start, grow and transform a business. It's not my gift to make businesses successful, but it is our passion, and our purpose to remove needless headwinds and unnecessary obstacles that stand in the way of business success. And that's a focus that I'll continue during my time in this office.

"IF WE CAN SUPPORT SMALLER ENTERPRISES BEING AS DEEPLY ENGAGED WITH DIGITAL TOOLS AND TECHNOLOGIES, WE THINK THAT'LL BE A REAL STRENGTH OF FUTURE GROWTH, AND VITALITY AND RESILIENCE"

Q: You spearheaded the Abbott government's SME agenda; do you see this role as a continuation of your work in the SME space?

BB: Yeah. Well, I'm clearly out of that political role ... that very frontline type of work that being a cabinet minister involves. But it is a continuation in some respects, because many of the initiatives that I spearheaded are now in place, and this office being one of them. So, the motivation and the purpose still run through my veins. I'm now in an apolitical role, willingly working with all positive and constructive collaborators that want to improve the environments around enterprising men and women. So, it's a continuation of that calling and that cause just through a different role, and with different disciplines.

Even when I left politics, and didn't contest the parliamentary election some years ago, I still stayed active in this space through my private business interests in my work with Deakin University. And with industry associations that were primarily focused on the plight and experience of small business and family enterprise. So that sort of continued.

Q: The office of the ASBFEO is being moved out of the Department of Industry and into Treasury, what will this mean?

BB: I think it's a really positive move and one that I welcomed. It restores where the agency was at the time that I'd created it, which was in the Treasury portfolio. The structural logic behind that is that so many of the things that help small businesses and family enterprises involve broader economic policy and regulatory settings that are largely the domain of the central economic agency of government, being the Treasury.

It puts us alongside, and front of mind with that and reinforces the point that our future economic and employment prospects are interwoven with the success and innovations driven by small business and family enterprises. So, I think that's a really positive move. Industry has been a wonderful host portfolio because they deliver quite a number of small business-focused programs, and so we'll continue a very close collaboration with our industry portfolio partners. But we welcome the opportunity to be very much front of mind in Treasury's economic policy decision-making processes.

Q: You mentioned in an earlier interview that you plan to "energise enterprise", what will this entail?

BB: Yeah, well, it's been a long held calling card to me about what our objectives are, how they come together to really give improved confidence and capability to enterprising men and women who want to turn an idea into an investment in our economy and in their future. To have an ambition, to create and to steer and grow their own business, to turn that ambition into practical action. And how can we make that as likely as we can by removing needless obstacles and headwinds, but also in celebrating that very action to be an enterprising woman and man and to want to turn all those talents and ambitions into opportunities for themselves and their own community. To really celebrate that fundamental belief that enterprise matters a great deal in our society and that we want to make more of it as possible as we can, and celebrate that highly valued contribution.

Nothing would bring me more joy than to hear more people talking about an ambition to start and grow their own business. It should sit very comfortably with young people. And in fact, people of all ages that want to write their own story, that want to shape

Follow Bruce Billson
twitter.com/BillsonBruce

their own chapters in their lives, and to not only live a good, comfortable life, but a purposeful life.

They are in my eyes, highly regarded attributes. And if we can make those more likely of surfacing, that's what energised enterprises is about. And, if we can support their ambition and their success by removing needless headwinds and obstacles, then that's a very meaningful contribution.

Q: Do you think that perhaps COVID has discouraged some of these people that may have sort of planned to go into business for themselves? Do you think these past 12 months, will serve as sort of a warning for people not to go down that road?

BB: Look, I'm not only a glass half full kind of guy, I actually say check out the glass, isn't that a fantastic water receptacle. I'm instinctively a positive person, even my blood group is positive.

I'd like to think that COVID has caused people to think about their life trajectory and what joy and fulfilment looks like for them. And pleasingly, if we look at some of the hard data, whether it's platforms like Seek and others, where business opportunities are being pursued and promoted and considered, there are encouraging signs of substantial increase in interest. Whether that's people wanting to be more in control of their own livelihoods, opportunities to work near to home, and really being more open to determining their own economic empowerment.

There seems to have been an uptick in interest through the pandemic, because of that. Notwithstanding, that it has been a time of difficult economic conditions for people starting a business in many sectors. But we see business confidence indicators are up, and business conditions are reportedly being viewed as up. This could well be the commencement of the renaissance of entrepreneurialism.

Honorary chair
Mr Billson held the directorship of small business and enterprise and advisory council chair at the IPA Deakin SME Research Centre from 2016 to February this year.

That would be really a positive thing for our country, and very much in keeping with my ambition to be helpful in energising enterprise. So, I'm optimistic about that.

But, let's not forget that for too many small businesses, the pandemic's been punishing. The impacts have been disproportionate on smaller enterprises. Whilst a number of them have made a good fist of it, and had quite a positive time during COVID constraints, others are just starting to see some green shoots and turn the corner. Yet, there are still quite a number of recovery impaired businesses in particular market segments, in particular regions, that have been impacted by the one rule that applies to all businesses and that is, there's no substitute for customers.

In too many areas, customers are still hard to come by as a result of constraints that COVID has imposed. And, we need to continue to support those businesses so they have prospects for recovery.

Q: Speaking of COVID, what do you see as the key challenges for SMEs moving forward on this path of post-COVID recovery?

BB: Well, I'd probably pick three things. One is that, for many businesses COVID has consumed reserves of cash, and emotional resilience that will need to be restocked.

We've learnt about what sort of financial buffers businesses did and didn't have. We also learned a lot about the challenges of lockdowns. Whether they're long, and really, really challenging on so many levels, like Victoria experienced. But also, the short-term lockdowns and particularly the timing of them and the way in which they arise can have a really detrimental impact on small businesses and family enterprises. And too often, there hasn't been the support to recognise that, which comes at a great cost. People need to find the resources to start again. You just can't keep doing that forever, you actually need an upside to refilling those pockets of resilience and resources. So that's probably number one.

Number two would be, things have changed. There's no better time than now to take stock of what the pandemic has meant for your business, for the market that you're in, but also, the customers that you aim to delight.

I mean, customer behaviour has been forced to change in some areas because of the pandemic impacts and the constraints. We've all heard about the pivot during the COVID constraint. I'd be saying we're now thinking about the hybrid era. Businesses need to think about what things they did to stay alive and thrive during COVID, and that should now be an embedded part of their business going forward, alongside things that were really crucial to their success prior to the pandemic. There's a need for a hybrid model in many cases. People should be thinking about those kinds of things, and really, objectively assessing future prospects.

If you're in a market segment, where you perhaps didn't have a strong digital presence, whereas your competitors did, that can have a real impact on your future prospects. Because your customers' eyeballs may have gone somewhere else, and can you realistically get them back? And what does that mean? And are new business models something that you were leading on or that you're perhaps trailing on? And what does that mean for future economic prospects?

I suppose the third thing that I would throw in there is that we're not "through this". We are learning to live with COVID, it's going to be with us for some time to come. What can we learn from the experiences of the last 12 months that we need to build into our plans going forward? What contingencies do we need to factor in? How do we make sure we're in the best possible shape, that we could be, going forward?

And for some businesses that will include reflecting on what's been inherited during the COVID period? Payment holidays on your financial facilities and your borrowings hasn't meant that they've gone away, they've just been paused, but they are now with you. The adjustments made around tenancy costs and the like. They all need to be reset as those adjustments and accommodations come to an end. That all represents a new cost base for your business going forward. What does that mean for your viability and your preparedness should we have another lockdown? These are the sorts of things that I'd certainly be thinking about.

Q: Will you continue some of Kate Carnell's key reform pushes, such as her work on payment times and insolvencies? How about franchising? We know you love franchising and have a history at the FCA.

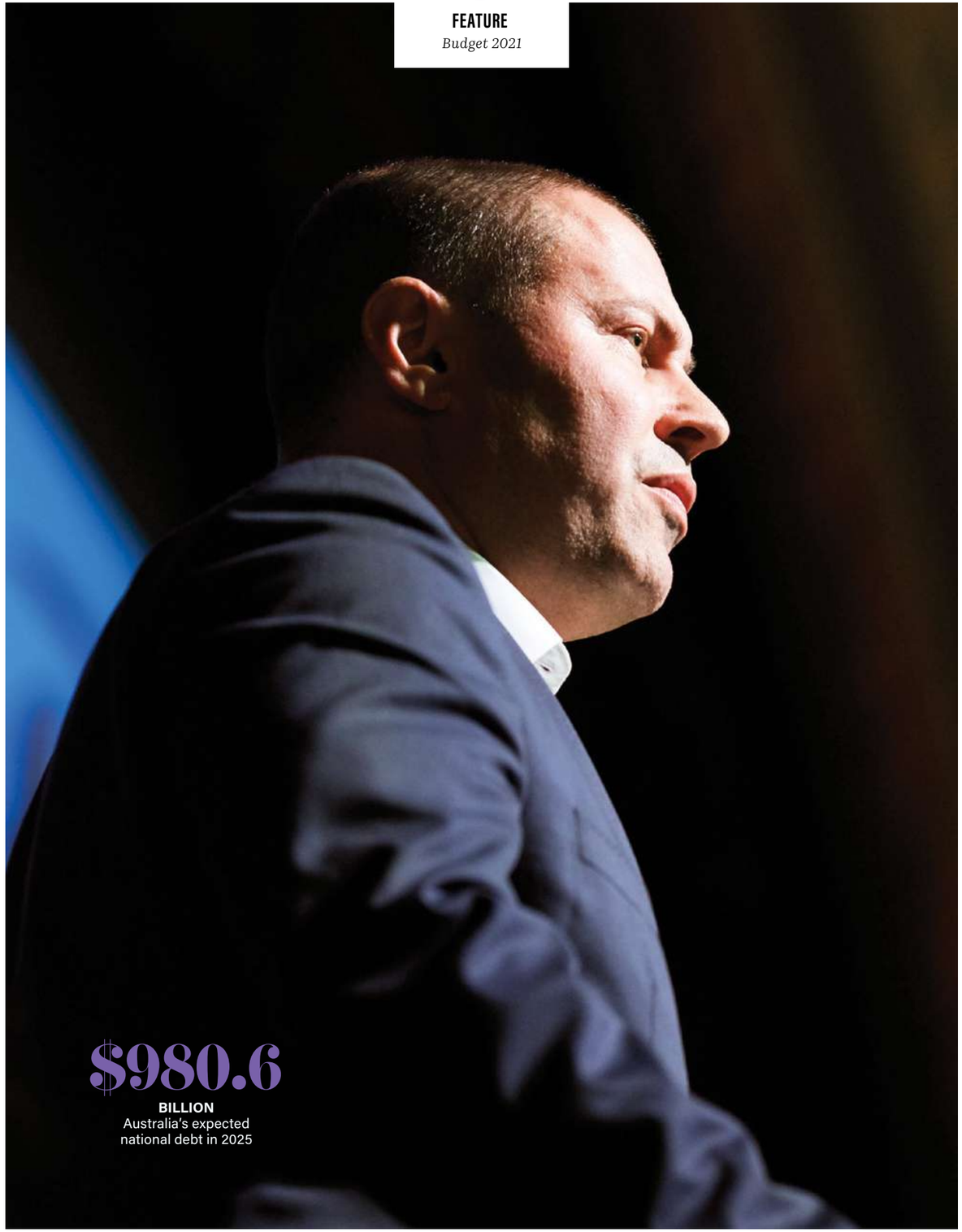
BB: Payment times are central, because of the impact on viability of small businesses waiting to be paid. The stats suggest payment times blew out a bit during COVID, but we can all do more in that space. The role of invoicing and other ways of not only making sure the appetite is there to pay business on time, but the ability is there to do that as well. So, work continues on that.

Too often businesses that have at least a component of concern in them may run into trouble. And rather than have the sniffle in the business, or the ankle injury attended to, if I could use that analogy, we're too quick to harvest the organs. We don't think about how we can make sure creditors are appropriately respected and able to receive the funds that they were looking for with a lens of trying to keep the business alive, and restructure, and have support for the turnaround strategies. It tends to go too quickly to insolvency. So, that work will continue.

The work around disaster support will continue. And in the area of franchising, there is a definite need for reforms. I've been very encouraged by the government and the opposition coming together on a number of those areas of reform. I believe franchising done well is one of the best forms of entrepreneurship going around.

And whatever we can do to make sure that mutual respect and collaborative ambition and symbiotic relationship between franchisors and franchisees stays in a very adult to adult mode, rather than get into a parent to child mode whenever something's not right.

I'm really, really looking forward to a constructive contribution there. I mean, franchising, if done well is a fantastic form of entrepreneurship. And frankly, there's no other way of looking at success in franchising, than the success of franchisees. And so, I bring that lens to that work. I'm very much looking forward to making a positive and constructive contribution in that space.



$980.6
BILLION
Australia's expected national debt in 2025

BUDGET 2021

A look at the standout measures

Treasurer Josh Frydenberg handed down the 2021-2022 budget on 11 May, here's a breakdown of what it means for accountants and their SME clients

| by Maja Garaca Djurdjevic |

On Tuesday, 11 May, Treasurer Frydenberg handed down one of the most anticipated budgets in Australia's history. The Treasurer revealed Australia's deficit will reach $161 billion this year, before falling to $57 billion in 2024-25.

"With more Australians back at work, this year's deficit is $52.7 billion lower than was expected just over six months ago in last year's budget," Mr Frydenberg said.

Net debt is expected to increase to $617.5 billion or 30 per cent of GDP this year and peak at $980.6 billion or 40.9 per cent of GDP in June 2025.

"This is low by international standards. As a share of the economy, net debt is around half of that in the UK and US and less than a third of that in Japan," Mr Frydenberg assured.

"We are better placed than nearly any other country to meet the economic challenges that lie ahead. Consumer sentiment is at its highest in 11 years. Business conditions reached record highs and more Australians are in work than ever before.

"Our plan is working. Australia's economic engine is roaring back to life."

In its initial reaction to the budget, the Institute of Public Accountants (IPA) said that it is an essential part of Australia's recovery process but warned of side-effects that will hamper efforts in the longer term.

"There is no question that the government is focused on a critical recovery path and opening up the Treasury coffers to facilitate recovery will create many growth opportunities including employment," says IPA chief executive Andrew Conway.

Mr Conway points out that the long-term game, however, is still "staring us in the face".

"We are calling on the government to fill in the gaps in the timeline for longer-term structural economic reform. Otherwise, the growth initiatives stemming from the budget announcements tonight may be short lived," he says.

Business incentive expansion

Temporary full expensing

The government will extend the 2020-21 budget measure titled JobMaker Plan — temporary full expensing to support investment and jobs for 12 months until 30 June 2023 to further support business investment and the creation of more jobs.

Temporary full expensing will be extended to allow eligible businesses with aggregated annual turnover or total income of less than $5 billion to deduct the full cost of eligible depreciable assets of any value, acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

WHAT'S IN IT FOR SMEs?

The budget includes several new, extended and enhanced measures to support small businesses including tax system reform for small business and business incentive expansion.

$10
BILLION
Guarantee of reinsurance pool to cover cyclone and flood damage across northern Australia

$1.2
BILLION
Investment in the digital economy by 2030

$506
MILLION
Extension of government's JobTrainer program by 12 months

$123
MILLION
To encourage entrepreneurship through the New Enterprise Incentive Scheme (NEIS) and Entrepreneurship Facilitators Program

$11
MILLION
Over three years for national recognition of occupation licences

$10
MILLION
Over four years on small business deregulation agenda

$4.3
MILLION
To establish the Mandatory Franchise Disclosure Registry over four years

$2.6
MILLION
To improve access and awareness of Commonwealth procurement opportunities in the new financial year

All other elements of temporary full expensing will remain unchanged, including the alternative eligibility test based on total income, which will continue to be available to businesses. From 1 July 2023, normal depreciation arrangements will apply.

This measure is estimated to decrease receipts by $17.9 billion over the forward estimates period and $3.4 billion over the medium term.

Loss carry-back

The government will further support Australia's economic recovery and business investment by extending the temporary loss carry-back to support cash flow. The extension will allow eligible companies to carry back (utilise) tax losses from the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year when they lodge their 2022-23 tax return.

$20
THOUSAND
The amount people saving for their first home will be able to put away in voluntary contributions at the super tax rate

Companies with aggregated turnover of less than $5 billion are eligible for temporary loss carry-back. The tax refund is 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. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

This measure is estimated to decrease receipts by $2.8 billion over the forward estimates period, with a net cost of $1.9 billion over the medium term.

Tax cuts

Low- and middle-income earners no longer face a tax rise following the announced extension of the low- and middle-income tax offset.

Under the extension, the LMITO – a one-off tax offset worth $1,080 to those earning from $48,000 to $90,000 – will be temporarily retained for the entirety of 2021-22 financial year, costing the budget around $7.8 billion. By extending the LMITO, the Treasurer has put to rest allegations that the government was preparing to pull forward the next stage of its tax plan – stage three.

Namely, while stage three tax cuts aren't supposed to commence until 1 July 2024, pundits did speculate that the government could in fact bring them forward to unburden business.

The stage three tax cuts are the largest and most controversial reform to the current system, with all Australian workers earning between $45,000 and $200,000 set to receive the same flat 30 per cent tax rate.

Broadening AAT powers

As revealed earlier in May, Mr Frydenberg declared the Administrative Appeals Tribunal (AAT) now has the ability to pause or modify ATO debt recovery actions while a small business is in a dispute in a move the government hopes will make things "easier, faster and cheaper" for SMEs.

"This will provide an avenue for small businesses to ensure they are not required to start paying a disputed debt until the matter has been determined by the AAT," Mr Frydenberg reiterated.

"BUSINESS CONDITIONS REACHED RECORD HIGHS AND MORE AUSTRALIANS ARE IN WORK THAN EVER BEFORE. OUR PLAN IS WORKING. AUSTRALIA'S ECONOMIC ENGINE IS ROARING BACK TO LIFE"

Technology booster

In line with its plans to make Australia a digital economy in the next decade, the government will invest $1.2 billion in its Digital Economy Strategy for three key reasons:

1. To build digital skills and capabilities;
2. Encourage business investment; and
3. Transform government services.

"Establishing a new national network of Artificial Intelligence Centres to drive business adoption of these new technologies," the Treasurer said.

"[We will be] expanding our cyber security innovation fund to train the next generation of cyber security experts and undertaking a digital skills cadetship trial which combines workplace and vocational training."

Further to the above, the government is encouraging "innovation and investment" in Australian medical and biotech technologies by introducing a patent box.

"... This measure will complement the government's $2 billion investment in the Research and Development Tax Incentive (R&DTI), which was announced in the 2020-21 budget. The government has asked the Board of Taxation to review the administrative framework of the R&DTI before the end of 2021," the budget papers noted.

Increasing AusBiz proposition

As the Treasurer noted, "Australia is an attractive place to do business", with "our way of life, our safe, clean cities and our proximity to Asia" desirable to foreigners.

In a commitment to attract more business to Australia and create more Australian jobs, Mr Frydenberg flagged that the government has introduced a new global talent visa and temporary activity visa, and "will modernise the framework for individual tax residency, to encourage highly skilled individuals to relocate to Australia".

Further, Mr Frydenberg said, "The government's deregulation agenda continues to support Australia's economic recovery, helping unlock business investment and create jobs.

"A further $134.6 million in this budget will make it easier for businesses to employ people and reduce the regulatory burden for businesses interacting with government, saving on average $430 million in annual compliance costs."

Women's initiatives

As announced on Mother's Day, the government is putting $354 million into a number of new health measures targeted at women's health.

Key initiatives include $100.4 million for improvements to cervical and breast cancer screening programs, support for mental health and wellbeing of new and expectant parents, and new genetic testing of embryos prior to implantation.

Nearly $27 million will go towards support for people with eating disorders and their families.

Moreover, the Treasurer announced a further $1.1 billion for women's safety.

"Delivering more emergency accommodation. More legal assistance. More counselling. More financial support, including cash payments for those escaping abusive relationships. More targeted services for Indigenous, migrant and refugee women and women with disability," Mr Frydenberg said.

"We will improve the family law system to better protect children, give victims of domestic violence greater access to justice and reduce time spent in court."

Moreover, the government will also invest an additional $1.7 billion to improve the affordability of childcare for Australian families. An increase to the Child Care Subsidy will be provided for second and subsequent children aged five and under and the annual cap on child care subsidy payments will be removed for all families.

This investment is expected to generate an increase in women's workforce participation. According to the Treasurer, it has the potential to add up to 300,000 hours of work per week, which would allow the equivalent of around 40,000 individuals to work an extra day per week, and boost GDP by up to $1.5 billion per year.

"THERE IS NO QUESTION THAT THE GOVERNMENT IS FOCUSED ON A CRITICAL RECOVERY PATH AND OPENING UP THE TREASURY COFFERS TO FACILITATE RECOVERY WILL CREATE MANY GROWTH OPPORTUNITIES INCLUDING EMPLOYMENT"

Super

Abolishment of the $450 threshold

Treasurer Josh Frydenberg has scrapped the $450 a month threshold beyond which employers are obliged to pay super, helping to boost the retirement income of thousands of part-time workers. The measure will have effect from the start of the first financial year after royal assent of the enabling legislation, which the government expects to have occurred prior to 1 July 2022.

The changes have been praised by women's groups as the threshold causes almost twice as many women as men to miss out on super contributions when working in part-time roles.

"On average women retire with less superannuation than men," the Treasurer said. "So tonight, the government will remove the current $450 per month minimum income threshold for the superannuation guarantee.

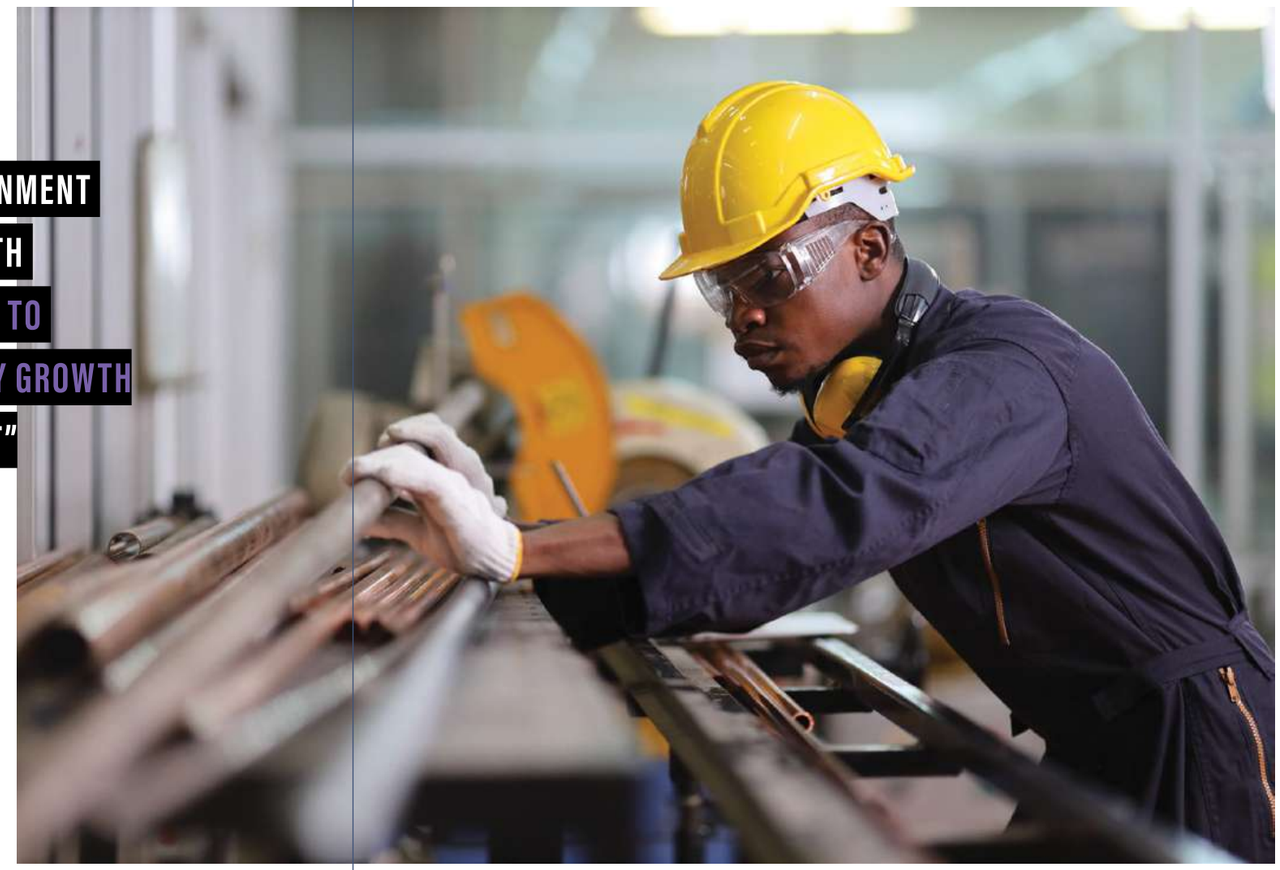
"This will improve economic security in retirement for around 200,000 women."

Super savings booster for retirees

The eligibility criteria for the government's existing downsizer scheme (introduced in the 2017 budget) is being expanded to include Australians aged 60 years and over.

The scheme, which allows participants to make a one-off, $300,000 contribution to their super, was previously only available to Australians aged 65 years or older.

"We will allow those aged over 60 to contribute up to $300,000 into their superannuation if they downsize their home, freeing up more housing stock for younger families," Mr Frydenberg said.



Increasing the First Home Super Saver

The government has also announced an increase to the First Home Super Saver Scheme from $30,000 to $50,000, as of 1 July 2022.

Voluntary contributions made from 1 July 2017 up to the existing limit of $15,000 per year will count towards the total amount able to be released.

The increase in maximum releasable amount will apply from the start of the first financial year after royal assent of the enabling legislation, which the government expects will have occurred by 1 July 2022.

This measure will ensure the FHSSS continues to help first home buyers in raising a deposit more quickly. This measure is estimated to decrease the underlying cash balance by $25 million over the forward estimates period.

Stronger consumer outcomes

The government will provide $11.2 million over four years from 2021-22 (and $3.1 million per year ongoing) to support stronger consumer outcomes for members of superannuation funds by providing:

- $9.6 million for the Australian Prudential Regulation Authority to supervise and enforce increased transparency and accountability measures as part of the government's Your Future, Your Super reform; and
- $1.6 million to Super Consumers Australia to support stronger consumer outcomes on behalf of superannuation fund members. The funding for this initiative will be partially met through an increase in levies on regulated financial institutions.

Improving the Pension Loans Scheme

The Treasurer confirmed the government is increasing the flexibility and attractiveness of the Pension Loans Scheme (PLS) for senior Australians.

From 1 July 2022, the government will introduce a No Negative Equity Guarantee for PLS loans and allow people access to a capped advance payment in the form of a lump sum. The PLS is a voluntary, reverse mortgage type loan available to assist older Australians who wish to boost their retirement income by unlocking equity in their real estate assets.

10 MILLION
people will receive another tax offset of up to $1,080 in their refunds after the scheme was extended to 2023

Temporary opportunity to exit from certain legacy retirement products

The government will provide a temporary, two-year opportunity for individuals to transition from existing legacy retirement products to newer, more flexible products. Legacy products include market-linked (Term Allocated Pensions – TAPs), life-expectancy and lifetime pension and annuity products commenced with any provider (including SMSFs), but exclude Flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme.

Retirees with these products who choose to, will be able to completely exit the products by fully commuting the product and transferring the underlying capital back into a super fund account in the accumulation phase.

The two-year period provided for the commutation will have effect from the first financial year after the passage of the enabling legislation. It will not be compulsory for individuals to move out of legacy retirement products.

Relaxing residency requirements for SMSFs

The government is proposing to relax the residency requirements for self-managed superannuation funds (SMSFs) and small APRA-regulated funds (SAFs) by:

- Extending the central management and control test safe harbour from two to five years for SMSFs; and
- Removing the active member test for both SMSFs and SAFs.

These measures would provide SMSF and SAF members with greater flexibility to retain, and continue to contribute to, their existing fund while being temporarily overseas.

"IN JULY 2020, THE MORRISON GOVERNMENT ANNOUNCED THE INVESTMENT OF $190 MILLION INTO AUSTRALIAN RECYCLING INFRASTRUCTURE, A CRUCIAL FIRST STEP IN PREPARING THE NATION TO BE ABLE TO REPROCESS 100 PER CENT OF ITS RECYCLING LOCALLY"

LET'S TALK ABOUT WASTE

Change how your practice thinks about waste

As a preview of the upcoming sustainability special edition of *Public Accountant*, this article steps through the waste problem and provides five, easy-to-implement strategies to improve how your business manages its waste

| by Matthew Cavicchia |

In July 2017, the Chinese government famously announced that it would no longer be accepting foreign waste.

This defiant move exposed the unpreparedness of Australia and much of the developed world to process their recycling without the luxury of export. While Bangladesh, India and Indonesia are also among the countries Australia has depended on, they responded to China's decision by establishing strict limits on what they are willing to receive to avoid the threat of becoming the world's dust heap.

So just how reliant has Australia been on export? According to the 2016-17 Australian Plastics Recycling Survey, 56.6 per cent of Australia's plastics were reprocessed overseas.

This percentage is quite staggering, although this reflected a 20 per cent decrease from the previous reporting period. While this indicates rapid improvement, the national recycling capabilities were still inadequate at the time of the announcement, placing immense pressure on the Australian state governments to reform their waste management strategies.

Commonwealth response

In July 2020, the Morrison government announced the investment of $190 million into Australian recycling infrastructure, a crucial first step in preparing the nation to be able to reprocess 100 per cent of its recycling locally.

Furthermore, December 2020 saw the passing of the *Recycling and Waste Reduction Act 2020*, banning the export of unprocessed materials such as plastic, paper and glass.

These actions are positive, although the waste problem will not be fixed by infrastructure alone.

Do we know how to recycle?

The negative externality of exporting waste has been the omission of adequate education. It may seem unnecessary to teach the foundations of waste disposal, although the reality is that most Australians do not know how to correctly separate their rubbish.

Unlike the export destinations that accepted waste of any quality, local recycling processers regularly exercise their licence to refuse recycled materials on the basis of contamination.

In a 2019 report for the Senate, Visy, one of Australia's largest recycling companies, coined the term 'wish-cycling', describing the household and commercial habit resulting in recyclable materials diverted to landfill. The cause of this problem is the motivation to recycle everything, which is problematic as it is resulting in contamination.

The magnitude of the consequence is that one contaminated item can cause an entire load of recycling to be rejected by a recycling processing plant.

Circular economics – recycling as the last resort?

All Australian states and territories have developed waste policies around the principles of circular economics, solidifying its fundamental role in Australia's future of waste management. For example, the Victorian government's 'Recycling Victoria: a new economy' plan proposes a circular economy as the state's strategy to tackle the current production and consumption problems.

The Ellen MacArthur Foundation, a UK-based charity promoting the acceleration of the circular economy, explains it as a system that "is regenerative by design and aims to gradually decouple growth from the consumption of finite resources".

Three key principles guide the circular economy:

- Design out waste and pollution
- Keep products and materials in use
- Regenerate natural systems

The core of circular economics is a transition away from the current take-make-dispose linear economic system. The Ellen MacArthur Foundation's framework for a circular economy separates resources into two separate categories.

Biological resources are either consumed or biodegradable over time, meaning that when the individual or business no longer extracts value from the resource, they can safely re-enter the natural environment.

Technical materials comprise all other resources that are not biological. These resources are to be shared, maintained, redistributed, remanufactured or recycled, in that order of preference, to ensure their value is maximised over time.

An effective national waste management system requires strong leadership and buy-in from civil society. The private sector is called upon to innovate, although as service providers, it can be challenging to identify where a suburban accounting firm or SME fits within this bold vision of a circular economy.

What your organisation can do now

As explored above, Australia's waste problem requires a combination of infrastructure, policy and behaviour change to be resolved. Nevertheless, the complexity of the issue should not discourage individual firms from exploring the idea of circularity and doing their part to ensure waste is correctly disposed of. As promised, below are five steps for your SMP or employer to improve the way it manages office waste:

ESTIMATED WASTE RECOVERY RATES (2020):

"WASTE STATIONS, PAIRED WITH SIGNAGE TO INDICATE WHAT TYPE OF WASTE IS ACCEPTED IN EACH BIN, SIMPLIFIES THE WASTE SEPARATION PROCESS AND SHOULD BE WELL-RECEIVED, GIVEN THE CONSENSUS THAT RECYCLING IS A POSITIVE THING"

1. Enhance digitisation

The continued improvement and accessibility of online accounting software, including IPA Books+, means that the discussion of digitisation has been relevant to the accounting profession for some time.

COVID-19 has fast-tracked the uptake of platforms such as Microsoft Teams to ensure that employees remained engaged, informed and productive while working remotely.

The task for businesses now is to continue to leverage the efficiencies offered by the various applications and capabilities of these platforms, creating opportunities to enhance digitisation beyond the accounting function, and even go paperless.

2. Implement waste stations in favour of at-desk bins

An at-desk bin is unquestionably convenient, although its very presence essentially eliminates any incentive for an employee to consider the separation of waste. This inevitably leads to waste contamination and a recycle-capture rate that is far lower than it should be.

The most frequently recommended solution is to implement centralised waste stations in the office. Waste stations, paired with signage to indicate what type of waste is accepted in each bin, simplifies the waste separation process and should be well-received, given the consensus that recycling is a positive thing.

The switch from at-desk bins to centralised waste stations was crucial in PwC's journey to 'zero waste to landfill' in its UK offices. While SMPs and SMEs do not have this scale of waste nor the resources to easily achieve this feat, it highlights the fundamental role of centralised waste stations.

3. Collectively agree to 'ban' takeaway coffee cups

As we gradually emerge from the COVID-19 pandemic in Australia, concerns surrounding the hygiene of reusable cups should no longer be preventing any cafes from providing your takeaway coffee in a reusable cup. Alternatively, ensure there is a variety of coffee available in your office space, as well as cups and mugs.

Takeaway coffee cups are not recyclable, and according to estimates, it is believed that 1 billion are disposed of in Australia each year.

4. Emphasise 're-use'

Sharing and re-using is the priority of circular economics, as opposed to recycling. While recycling is still better than waste ending up in landfill, the energy consumption throughout the entire recycling process from transport to processing to distribution and storage is significant. Whenever you no longer need something, such as a binder, chair, laptop or even a jacket, always ensure that they are made available to others in the office for re-use.

5. Set objectives and incentives

When thinking about improving your organisation's approach to waste management, it starts with the people. It is natural for humans to resist change, especially if it includes no longer having the convenience of a bin at your desk.

The establishment of targets, such as a maximum number of pages printed each day, and even an incentives program if necessary, are some approaches to encourage employees to take ownership of the objectives and play their role in improving waste management.

For more on how your organisation can benefit both socially and economically through sustainability, be sure to check out our upcoming sustainability special edition.

Matthew Cavicchia
analyst, Institute of Public Accountants

The path out of the pandemic VACCINE BLOCKOUT

While Australia has largely succeeded on most fronts in its response to COVID-19 pandemic, the same can't be said for its vaccine rollout

| by Adrian Flores and Maja Garaca Djurdjevic |

Before the first vaccines arrived on Australian shores, Prime Minister Scott Morrison set a target of having everyone in the country vaccinated by the end of October 2021.

The federal government also had a target of having at least 4 million doses of the COVID vaccine administered by the end of March.

In reality, it fell way short of its target, with Australia said to have exhausted only 1,586,252 doses by mid-April.

Federal Health Minister Greg Hunt responded to the failure by saying the 4 million target wasn't achieved because of overseas supply issues with the vaccines.

In early March, Italy blocked shipment of AstraZeneca COVID vaccines from reaching Australia with the backing of the European Commission.

The fact of the matter was, according to news sources, AstraZeneca had asked the Italian government to export as many as a quarter of a million doses to Australia from its plant near Rome.

Italy's refusal to do so was supported by the European Commission, with Australia deemed "not vulnerable" to the low number of COVID-19 cases, especially in contrast with Europe's third wave. At the time, EU trade chief Valdis Dombrovskis said export licences would be granted based on the epidemiological situation.

A few weeks later, it was revealed that Australia had received hundreds of thousands of the AstraZeneca jab via the UK, after the EU's block.

Read 'The path out of the pandemic' article in the February/March issue of *Public Accountant*

According to sources quoted by the *Sydney Morning Herald*, Australia received batches of the AstraZeneca COVID vaccine through the United Kingdom, but the shipment was not announced to avoid controversy in Britain.

The newspaper said that the first 300,000 UK-made doses arrived at Sydney Airport on 28 February. Another batch reportedly landed via an Emirates passenger plane in March.

The AstraZeneca bet backfires

But it wasn't long after the AstraZeneca vaccine arrived that a new issue emerged.

Namely, in March it was revealed that AstraZeneca could be behind several cases of a rare dangerous blood clot disorder recorded throughout Europe.

In early April, the Australian Technical Advisory Group on Immunisation (ATAGI) issued a statement on the AstraZeneca COVID-19 vaccine in response to new vaccine safety concerns.

The organisation said that while it does recommend that all adults are vaccinated against COVID-19, it is of the belief that the Pfizer vaccine should be the preferred vaccine for adults aged under 50.

3.28
MILLION
Total vaccine doses administered in Australia as at 19 May 2021, according to Australian Immunisation Register

NATIONAL ROLLOUT

Australia's COVID-19 vaccine national rollout strategy

PHASE 1A
Up to 1.4 million doses
- Quarantine and border workers – 70,000
- Frontline healthcare worker sub-groups for prioritisation – 100,000
- Aged care and disability care staff – 318,000
- Aged care and disability care residents – 190,000

PHASE 1B
Up to 14.8 million doses
- Elderly adults aged 80 years and over – 1,045,000
- Elderly adults aged 70-79 years – 1,858,000
- Other healthcare workers – 953,000
- Aboriginal and Torres Strait Islander people over 55 – 87,000
- Younger adults with an underlying medical condition, including those with a disability – 2,000,000
- Critical and high-risk workers including defence, police, fire, emergency services and meat processing – 196,000

PHASE 2A
Up to 15.8 million doses
- Adults aged 60-69 years – 2,650,000
- Adults aged 50-59 years – 3,080,000
- Aboriginal and Torres Strait Islander people aged 18-54 – 387,000
- Other critical and high-risk workers – 453,000

PHASE 2B
Up to 16 million doses
- Balance of adult population – 6,643,000
- Catch up any unvaccinated Australians from previous phases

PHASE 3
Up to 13.6 million doses
- Under 18 if recommended – 5,670,000

"This recommendation is based on the increasing risk of severe outcomes from COVID-19 in older adults (and hence a higher benefit from vaccination) and a potentially increased risk of thrombosis with thrombocytopenia following AstraZeneca vaccine in those under 50 years," ATAG said.

It, however, added that "the risk-versus-benefit assessment for the use of AstraZeneca COVID-19 vaccine will be different for Australia compared to other countries, such as those with widespread transmission".

"In the UK, where approximately 20.2 million doses of AstraZeneca COVID-19 vaccine have been administered, their regulatory agency, the MHRA have advised that the evidence of a link is stronger but more work is still needed."

But despite the plethora of advice, a resident of NSW received the jab mid-April and passed away a week later.

And while preliminary tests were said to have ruled out a conclusive link with the vaccine, the 48-year-old woman was said to have developed blood clots after receiving the jab.

"We are waiting on federal authorities to let us know [and] until that time I think we should just wait for that advice," NSW Premier Gladys Berejiklian said at the time.

"It is important for us to feel positive about the situation, although it is really difficult obviously when you hear about these potential issues [but] I'm confident about how safe the vaccine is.

"I wouldn't have got it myself otherwise."

Check if you are eligible for the jab:
covid-vaccine.healthdirect.gov.au/eligibility

The potential business costs of delay

In fact, Ms Berejiklian's government has been involved in a war of words with the federal government, pushing the Prime Minister to schedule twice-weekly national cabinet meetings to speed up the vaccine rollout.

But, the Prime Minister's apparent efforts to get back on track came after the federal government announced it had abandoned all its vaccine targets.

There are fears that the delays in rolling out the vaccine have already done damage to the Australian economy. The McKell Institute estimates the delays could cost more than $1.4 billion to the Australian economy due to increased chances of further lockouts and restrictions, according to its research modelling. Even then, the estimate is based on the most optimistic of scenarios.

The think tank noted the federal government's initial COVID-19 Vaccine Roadmap plan would have reached the earliest possible measure of herd immunity (65 per cent vaccination rate) by August 2021. However, delays have now blown this date out, increasing the chances of further lockouts and restrictions.

The McKell Institute's executive director, Michael Buckland, said the delays will increase the chance of lockdowns and the economic costs that come with them.

"It's vital we are clear-sighted about the cost and impact of a government's action or inaction," Mr Buckland said.

"Just as it was correct for the government to measure the economic impact of state lockdowns, so, too, should the government embrace the publication of clear information about the economic impact of its vaccination rollout program.

"Australia's vaccination program has failed to meet its targets and it's incomprehensible that we will catch up. Our leaders need to accept the additional risks of delay and act.

"Additional support measures for vulnerable people and businesses must be considered in response to the delay."

However, Treasurer Josh Frydenberg has said, time and time again, that despite the setbacks with the vaccine rollout, the economy is in a strong position.

In fact, in recent interviews, the Treasurer has been adamant that jobs, hiring intentions, consumer and business confidence were all high and the positive economic momentum could continue because Australia had "successfully suppressed the virus".

"The budget is looking to maintain the momentum of the recovery with the private sector creating jobs and spurring growth, by empowering households and business to spend and invest the extra $240 billion on their balance sheets," the Treasurer told the Australian Financial Review in April.

"The budget is looking to capitalise on the opportunities in the post-COVID world."

92.9
THOUSAND
Total vaccine doses administered in Australia in the past 24 hours of 19 May 2021, according to Australian Immunisation Register

Back on track?

According to Mr Frydenberg, Australia has secured 20 million extra Pfizer vaccines.

"They'll come later in the year," the Treasurer confirmed.

But the government's dumped vaccination timeline means international borders could remain closed for a lot longer than initially expected, with the Prime Minister recently warning that Aussies have to be prepared for upwards of a thousand cases a week if travel resumes.

The government is also said to be considering the possibility of Aussies requiring a third Pfizer jab, after the company boss hinted a third jab could be necessary to maintain protection against the virus.

Australia is also still awaiting its 51 million doses of Novavax, which are slated for a mid-2021 delivery.

Talk in Canberra suggests that mass vaccination centres are likely towards the end of the year, to speed up the administration of the Pfizer and Novavax jabs, but further disruptions are very likely, especially given Novavax rolled back its timeline for hitting its production target mid-April.

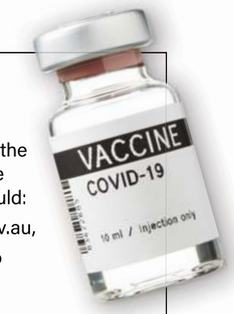
One thing is certain, the longer Australia delays its vaccination program, the longer its citizens will be locked away from the world as COVID continues to play a major threat to society and the economy alike.

COVID-19 VACCINES ARE VOLUNTARY AND FREE

The COVID-19 vaccine is free for everyone in Australia. Vaccination providers cannot charge you for the COVID-19 vaccine or your appointments to receive the vaccine. If your vaccination provider charges for any costs associated with the administration of the COVID-19 vaccination (including booking fees), you should:

- contact the government by emailing provider.benefits.integrity@health.gov.au,
- or call the Provider Benefits Integrity Hotline on 1800 314 808 (9:00am to 5:00pm AEST weekdays).

You should book a separate appointment at your usual practice for health issues that do not relate to COVID-19 vaccination. If you consult your GP for health issues that are not related to COVID-19 vaccination, you will receive a separate bill. Your GP will let you know that you will receive a separate bill, and will make sure you agree to any associated costs and payments. If you choose not to have a COVID-19 vaccine, your eligibility for government payments won't be affected.



Hidden from view
As of 04 May 2021, 852 of the Australia's 910 COVID-related deaths have come from people aged 70 and over.

Part 2

A SYSTEM IN CRISIS

With the final report of the Royal Commission into Aged Care Quality and Safety handed down on 1 March, the real work begins towards mending a severely damaged system

| by Adrian Flores |

When the interim report into the Aged Care Royal Commission was delivered, the name of the report was 'Neglect', highlighting the systemic abuses that have run rampant in the sector over many decades.

Passages in the report read: "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.'" The tone really hit home to many people who have parents or grandparents either currently in the aged care system or at least considering sending them into the system. The report was damning on all fronts, particularly with governments that have continually passed the buck on who actually claims responsibility as well as the private organisations within the system that have left the systemic abuse unaddressed.

But when the final report came through at the beginning of March, the tone had shifted from 'Neglect' to one of 'Care, Dignity and Respect', which ultimately became its title. Now that the many abuses of the past had been acknowledged, the next arduous step for Commissioners Lynelle Briggs and Tony Pagone is to work out how to put back together such a broken system.

Part of that process will involve following through on the 148 recommendations the Commissioners proposed towards fundamental reform of aged care.

"The extent of substandard care in Australia's aged care system reflects both poor quality on the part of some aged care providers and fundamental systemic flaws with the way the Australian aged care system is designed and governed," they said.

"People receiving aged care deserve better. The Australian community is entitled to expect better."

The Commissioners noted that for too long the legislation that governs aged care in Australia has focused on the funding requirements of aged care providers rather than the care needs of older people. As a result, they proposed a clearly articulated purpose for the new aged care system, which is "to deliver an entitlement to high quality care and support for older people, and to ensure that they receive it".

"The care and support must be safe and timely and must assist older people to live an active, self-determined and meaningful life in a safe and caring environment that allows for dignified living in old age," the Commissioners said.

However, one of the more concerning aspects of the final report that may negatively impact the federal government's final response is that some of the recommendations present alternative options for reform. Commissioner Pagone, explained that while many of the recommendations and observations are made jointly, there are some instances where there are differing recommendations and observations.

"We have agreed, with some misgivings and not without anxious consideration, to make some separate recommendations and to express different views where we diverge," Commissioner Pagone said.

But despite a few differing recommendations and observations, both Commissioners strongly concluded that fundamental change is needed, saying that, in the end, "the differences between us may add to the strength of the reforms which are to be made".

Read Part 1 of *A system in crisis* in the December 2019/January 2020 issue of *Public Accountant*

Three key building blocks underpinning the reforms were highlighted in the final report to address the problems in the aged care sector, namely:

1. A rights foundation for high quality aged care
2. Independence from government
3. A secure source of funding

Responding to the final report

The Commissioners have recommended that the federal government report to Parliament by 31 May 2021 its response to their recommendations. Until then, its immediate response was to commit $452 million towards addressing immediate priorities within the sector.

Prime Minister Scott Morrison said the full response will be driven by the principle of respect and care and through the lens of five broad pillars: home care, residential aged care quality and safety, residential aged care services and sustainability, workforce, and governance. Further, Mr Morrison said it was clear from the royal commission's work that there is a clear roadmap to improve respect and care for older Australians.

"I called this royal commission to ensure our oldest and most frail Australians could receive the respect and care that supports their dignity, and recognises the contribution that they have made to society," Mr Morrison said.

"I warned when I called the royal commission there will be stories that will be hard to hear. And that has been the case. But at the same time, we have also heard heart-warming cases of dedication and with the challenges of COVID-19 in the past year, we need to acknowledge the hard work performed by our aged care workforce.

$452
MILLION
pledged by the government into the aged care sector

"As I noted at the time, Australians must be able to trust that their loved ones will be cared for appropriately and the community should have confidence in the system. This remains our clear goal."

Ahead of its full response in May, Councils on the Ageing (COTA) Australia chief executive Ian Yates says the onus is completely on the federal government to address the systemic issues highlighted in the final report, particularly when it comes to nursing home regulation, staffing and transparency.

"When it comes to the crisis consuming our aged care system, the royal commissioners are unanimous in identifying the issues of neglect, abuse, indifference and poor leadership," he said.

Even though the Commissioners proposed a few alternative recommendations on the best way to manage and fund the aged care system, Mr Yates said that this in no way lets the federal government off the hook.

"There are no barriers to commencing urgent and long-awaited reforms," he said. "The evidence is overwhelming: we need a major transformation of the system, and older Australians shouldn't wait a day longer than needed to be guaranteed choice, dignity and quality in aged care.

"The ball is now in the government's court, and there's no excuse for inaction."

WHAT SOME OF THE 148 RECOMMENDATIONS COVER

- A new Aged Care Act that puts older people first, enshrining their rights and providing a universal entitlement for high quality and safe care based on assessed need.
- An integrated system for the long-term support and care of older people and their ongoing community engagement.
- A System Governor to provide leadership and oversight and shape the system.
- An Inspector-General of Aged Care to identify and investigate systemic issues and to publish reports of its findings.
- A plan to deliver, measure and report on high quality aged care, including independent standard-setting, a general duty on aged care providers to ensure quality and safe care, and a comprehensive approach to quality measurement, reporting and star ratings.
- Up-to-date and readily accessible information about care options and services, and care finders to support older people to navigate the aged care system.
- A new aged care program that is responsive to individual circumstances and provides an intuitive care structure, including social supports, respite care, assistive technology and home modification, care at home and residential care. In particular, the new program will provide greater access to care at home, including clearing the home care waiting list.
- A more restorative and preventative approach to care, with increased access to allied health care in both home and residential aged care.
- Increased support for development of 'small household' models of accommodation.
- An Aboriginal and Torres Strait Islander aged care pathway to provide culturally safe and flexible aged care to meet the needs of Aboriginal and Torres Strait Islander people wherever they live.
- Improved access to health care for older people, including a new primary care model, access to multidisciplinary outreach services and a senior dental benefits scheme.
- Equity of access to services for older people with disability and measures to ensure younger people do not enter or remain in residential aged care.
- Professionalising the aged care workforce through changes to education, training, wages, labour conditions and career progression.
- Registration of personal care workers.
- A minimum quality and safety standard for staff time in residential aged care, including an appropriate skills mix and daily minimum staff time for registered nurses, enrolled nurses and personal care workers for each resident, and at least one registered nurse on site at all times.
- Strengthened provider governance arrangements to ensure independence, accountability and transparency.
- A strengthened quality regulator.
- Funding to meet the actual cost of high quality care and an independent pricing authority to determine the costs of delivering it.
- A simpler and fairer approach to personal contributions and means testing, including removal of co-contributions toward care, reducing the high effective marginal tax rates that apply to many people receiving residential aged care, and phasing out Refundable Accommodation Deposits.
- Financing arrangements drawing on a new aged care levy to deliver appropriate funding on a sustainable basis.

Have we SURVIVED AND THRIVED?

Australia has emerged from an unprecedented global pandemic with a win on the health front, boosting its chances of experiencing a once-in-a-generation economic boom

| by Cameron Micallef |

While Australia is firing on all cylinders, the speed of our economic recovery won't be even. In fact, economists are tipping many individuals and businesses are likely to be unfortunate casualties as the country moves to rebuild post the COVID pandemic.

While not all are thriving, Australians as a whole are benefiting from swift government action. We're seeing the economy, which was essentially put on ice for several months, come roaring back as consumers emerge from lockdown and resume this 'new normal'.

In fact, the International Monetary Fund (IMF) has upgraded its outlook, noting that the "Australian economy continues to show a strong recovery momentum" and that a "favourable labour market recovery continues to support a strong rebound in private consumption, added by wealth effects from rising house prices".

However, defrosting an economy comes at a large cost, forcing the government to raise funds at a rate not seen in a peace-time environment. This, in turn, is having a large impact on individuals and businesses.

So, what did we get for record spending? And have we simply survived or have we thrived in the emerging post-pandemic world?

Wartime spending

Australia is currently winning the battle against COVID-19, saving lives, protecting the economy, and supporting jobs in the process. Consumer confidence is skyrocketing as Australians see the light at the end of the tunnel. However, like any war, victory does not come cheap.

To get us through the health and economic impact of the pandemic, the Australian government joined international counterparts in raising funds at levels not seen since World War II.

Australia added $211 billion to its national debt in 2020, equivalent to the entire national debt of Hong Kong, pushing its total debt to a record high of $1,021 billion.

As a nation, Janus Henderson found we now owe $40,068 per person, although that is roughly half of what US citizens owe and a third of the debt inherited by our British peers.

Since 1995, national debt has risen 420 per cent, which has seen Australia jump two notches in the world's public debt rankings to 13th position.

Head of Australia at Janus Henderson Matt Gaden says, "The issuance of debt can sometimes be accompanied by negative connotations, but this view misunderstands the importance of government borrowing to support the economy in bad times like 2020.

"Things would have been far worse had governments not acted to protect millions of livelihoods. While debts are at record levels, lower interest rates have helped cushion the impact of that higher debt."

"THE MOTTO IS 'GO HARD, GO EARLY' AND I THINK THE GOVERNMENT LIVED UP TO THAT EXPECTATION. THE PROOF IS THAT WE ARE RECOVERING MUCH FASTER THAN IF THE MARKETPLACE DID NOT HAVE THAT INCOME SUPPORT"

Go hard, go early

Despite fears of burdening our young with this momentous debt, the country has learnt its lessons from previous downturns.

The nature of the COVID-19 downturn has meant businesses have had to close up shop, pushing the economy down by rates not seen since the Great Depression. However, unlike the Great Depression, where countries lowered expenditure, world leaders instead stepped in to cushion the economy.

"I think they learnt from past recessions in that if you don't spend early, you're going to have a protracted recovery because it's harder to get things going again," the general manager of technical policy at the Institute of Public Accountants, Tony Greco, says.

"So, the motto is 'go hard, go early' and I think the government lived up to that expectation.

"The proof is that we are recovering much faster than if the marketplace did not have that income support."

But what did Australia get in return for its record spend?

Labour market's 'miraculous' recovery

First and foremost, Australia's economic recovery from the COVID-19 pandemic will be propped up by better-than-expected labour conditions. These conditions, the government believes, are a direct result of its spending.

Figures released by the Australian Bureau of Statistics (ABS) in April showed that Australia's unemployment rate has fallen to 5.6 per cent from 5.8 in March. Seasonally adjusted employment increased by 71,000 people between February and March 2021.

"Of those new jobs, around 80 per cent went to women and around half went to young people," Treasurer Josh Frydenberg told reporters at the time.

"Australia's jobs market, Australia's labour market, is recovering 4.5 times faster than the experience of the labour market during the 1990s recession."

The ABS, however, staved off assumptions that improved employment figures reflect a full economic recovery by highlighting that the data was only collected from the first half of March, before JobKeeper's expiry.

"The April Labour Force release, along with weekly payroll jobs data, will show the state of the labour market after the end of JobKeeper," says Bjorn Jarvis, ABS head of labour statistics.

Mr Frydenberg, however, said early figures make a case for optimism, even if they don't fully capture the state of employment following the withdrawal of the government's biggest and arguably most important stimulus package, which the Treasury forecast would subject up to 150,000 people to unemployment.

"Now, we will see the full impact of the end of JobKeeper over the course of the coming months," he said. "But in some of the early data that we are seeing, we are not experiencing a massive increase in people turning up to Centrelink."

Commonwealth Bank CEO Matt Comyn says CBA's economics team is expecting unemployment to fall to 5 per cent by the end of this calendar year, and to 4.7 per cent by the end of 2022.

So, is there significant cause for optimism?

"The recovery in the labour market is, in one word, miraculous," Mr Comyn says.

Businesses improve but recovery tipped to be two-paced

A recent NAB study has revealed business conditions and confidence are running well above their long-run averages with profitability, trading and employment all well into expansionary territory.

However, improvements for businesses as a whole will be of little comfort to many, with COVID-19 still impacting how many operate.

The emergence of the new digital world will see some businesses thrive while others struggle to survive.

"How much of business returns to pre-COVID conditions remains to be seen," Mr Greco says. "Employees have requested more flexibility around working conditions. The worst-case scenario for business is employers provide this and employees come into the office only a couple of days a week."

Consumers are also looking for new ways to spend money which will significantly impact how business is done.

"People are more comfortable with buying online. How many will return to CBDs? I think the trends that were there have accelerated under COVID, with the question remaining: Is it temporary or is it long-term?" he says. "I think there's going to be a lengthy adjustment for many businesses."

Getting the budget back in balance

A near record-high rebound in employment, business profits recovering and asset price booms are predicted to see Australia's budget rebound by $200 billion even with an increase in government spending.

UBS economist George Tharenou predicts a more rapid than expected decline in JobSeeker recipients, led by a rise in employment and strong commodity prices, which are leading to a faster than expected recovery.

"If the momentum continues for the rest of 2020-21, the deficit will be up to $50 billion smaller than expected. However, we allow for a conservative forecast and new policies, so we forecast the budget will present a $35 billion improvement," Mr Tharenou says.

He points to the strong employment-to-population ratio, which is nearing record highs, as well as a boom in business profits and asset prices, which Mr Tharenou opines has limited the long-term impact of the economic downturn.

"Hence, it's plausible the budget will project a return to balance in '24-25, with a cumulative improvement of $200 billion across the profile," he says.

Through necessity as much as anything the Australian economy has managed to survive a once-in-a-generation downturn.

"This was born out of a crisis. The economy was basically in intensive care. What the government was seeing is people were laying people off and lines were forming outside of centrelink," Mr Greco says.

"It was a clear signal that the economy was in crisis, so I don't think there was a choice."

However, whether we simply survived or thrived post downturn remains to be seen.

BEN JOHNSTON

Anything but average

Mr Johnston doesn't consider himself an average accountant. On the contrary, his 25 years in public practice are decorated with a diverse bunch of clients including unique business enterprises peppered along the eastern seaboard as well as overseas

| by Maja Garaca Djurdjevic |

Initially Ben dreamt of a career in investment banking. At the young age of 13 he had already made his mind up — he would pursue studies in commerce as soon as he was old enough. And while he initially executed his plan to perfection, everything changed just three months into his university degree with an offer from a Sydney-based accountancy firm. Namely, Ben was approached for an internship in public practice.

"I ended up taking the internship and began working full-time as a trainee accountant in public practice and studying part-time. So, I did my degree over six years.

"I loved it straight away. I loved the dynamic of dealing with small businesses. Even though I had wanted to be an investment banker all that time, as soon as I started in public practice, I felt I had found my calling," Ben recalls.

Ben left his firm for a two-year stint working in London. He returned to Australia in 2005 and re-joined the firm, where he soon became a partner in the practice.

"I had worked at the firm where I was at for 24 years, apart from the two-year stint in London, where I did contract accounting work.

"I was a partner for 10 years before I decided to go out on my own," Ben shares.

But at the age of 43, Ben saw an opportunity to create his own advisory firm.

It was October 2020, the cusp of a COVID-ridden year, when Ben opened the doors to his business — Johnston Advisory — with offices in both Sydney and the Gold Coast.

"Going it alone adds another dynamic to it, where ultimately the buck stops with you. But I've embraced it, as a professional it's made me move forward personally. It's given me a whole bunch of fulfilments that was probably missing before.

"It's been the best thing that I've done without a doubt. I have no regrets whatsoever," Ben says.

2020, Ben admits has been a tough year, but he has maintained his enthusiasm for helping small business.

"I had a huge year.

"In navigating through the changes with the stimulus measures and working unbelievable hours. I found personally it was a brilliant period because the love I have for my job came through, but also, we're moving into a world of autonomous transactions which shows that small businesses really need that personal touch from their accountants.

"It just showed how important we are in our clients' day-to-day," Ben explains.

"GOING IT ALONE ADDS ANOTHER DYNAMIC TO IT, WHERE ULTIMATELY THE BUCK STOPS WITH YOU"

Ben is very passionate about technology and the advantages of cloud-based accounting software and how it will revolutionise his industry. Most recently he provided the strategic advice for the start-up beer venture, Steel City.

But Ben also has a great passion and love for sport, especially surfing.

"My dad was the first Australian schoolboy champion and I've got four brothers and we all love surfing.

"Many of my clients are world tour surfers, I do also a lot of surf coaches, retail stores, surf brands... It's not all I do, but I am lucky to have a client base that is involved in an industry that I am passionate about," Ben admits.

Surfing NSW CEO Luke Madden recently said Ben has been instrumental in guiding Surfing NSW's financial structure and systems over the past 10 years.

"The sport of surfing would not be in the position we are today without Ben's support and contribution.

"Ben's guidance and advice has been world class and far-reaching across governance, sport and athlete advocacy, IP and trademark support and so much more complex issues," Mr Madden said.

But being part of the Institute of Public Accountants also gives Ben a great sense of honour. Recently, he was crowned member of the year for his tireless dedication to the profession.

"The feedback that I got from the IPA is that they were overwhelmed with responses from my clients and colleagues about what I love doing. So, it's a huge honour and not something that comes all the time," Ben says.

"It's pretty overwhelming."

Looking ahead, Ben says he has no plans to retire.

"That notion bores me. While I've got 25 years' experience behind me, I am young enough to keep pushing forward with making use of new technologies and embracing the way the world is changing."

Ben and his wife of 20 years have two teenage children and live in beachside Bondi. They share his passion of surfing, snowboarding and skiing and in his spare time, they can be seen catching a wave.

A former competitive surfer himself, that's when he truly relaxes.

Business building

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

How to use digital marketing to attract new accounting or bookkeeping clients

Today's consumers are digital consumers. They research their options on the internet before parting with their hard-earned cash. And that's true industry-wide

| by Nick Chapman |

TODAY, DIGITAL marketing for small business is crucial, including accounting and bookkeeping services. In order to reach clients you'll need a competitive digital marketing campaign up your sleeve. That means an outstanding, client-oriented website and multi-channel marketing campaigns are no longer optional.

Think of them as the new baseline. Traditional marketing methods such as newspaper, TV, and radio adverts are not obsolete, but they're no longer enough. As accounting and bookkeeping firms, we've got to do more. Our digital marketing efforts could be the difference between success and failure.

But it's not all doom and gloom. Starting a digital transformation in your own practice is a great opportunity. And there's never been a better time to do it.

Today's digital marketing tools make it simple and affordable to reach a wide pool of prospective clients and, may I add, engage your existing customers.

Technology is transforming accountancy from the bottom up. Accountancy software is fuelling highly competitive billable hours rates. And that means it's more important than ever to hold on to, and attract, clients before they head on over to the competition.

Don't let digital disdain destroy your practice. By shifting your marketing campaigns online you'll be sure to reap the rewards.

What is digital marketing?

Digital marketing is a facet of marketing that uses the internet and online technologies as a promotional tool. With the world going online more and more, digital marketing is now the most powerful form of marketing available to businesses.

The stats don't lie. Did you know that 70 per cent of consumers now want to learn about products through content as opposed to traditional marketing methods like newspaper or TV ads?

Digital marketing for bookkeepers and accountants helps accountancy and bookkeeping firms promote themselves directly to their target audiences. How? By giving them the information they need, exactly where they're looking for it – online.

That could mean:

- Your official website
- Blog posts and articles
- YouTube videos
- Social media posts
- Email campaigns
- Webinars

We'll delve into each of these methods more deeply in just a moment.

But first let's round up on our definition. In summary, any good digital marketing strategy aims to communicate directly with your target clients. To do so, you'll need to be clear on three things:

1. Who you want to reach
2. How you're going to reach them
3. How much you're willing to spend

Once you know these three things, you'll be ready to go.

Why you need to up your digital marketing game

If you've been umming and ahing as to whether digital marketing for accounting firms is really necessary, let me answer that for you.

Yes. Yes, it is. And here's why. The answer is simple. Competition.

In order to remain competitive in your market share you'll need to be as good (preferably better) than your competitors. And chances are your competitors are on the digital marketing bandwagon already. So take a look at your competitors' online presence.

Ask yourself...

1. What's working well?
2. What can we adopt in our practice?
3. What can we do to be one step ahead?

Think of digital marketing as your portal to competitive advantage. It gives you a multi-platform opportunity to tell your prospective and existing clientele exactly why you are the best!

Why should they pick you?

The days when word-of-mouth was enough to get by are well and truly gone. Referrals and local networking are great, but today's customers trust in Google beyond all.

And that means, these days, a generous list of positive Google reviews is often better than a referral from family or friends.

How can digital marketing help your accounting and bookkeeping practice?

OK. Enough with the preaching. Let's talk tangible benefits. There are so many advantages to digital marketing. Whether you're implementing your own marketing campaign in-house or calling on a third-party-service to transform your digital footprint, online marketing is perfect for helping firms connect with clients and make lasting impressions.

So, what does digital marketing do that traditional marketing doesn't?

70
PER CENT
of consumers now want to learn about products through content as opposed to traditional marketing methods

Digital marketing attracts the right clients

Digital marketing helps you home in on, and target, the right customers for your business. It helps you get specialised, personalised content to the people who are most likely to convert into clients. Instead of a blanket marketing approach, digital marketing is targeted and precise. That way you can craft amazing campaigns with real substance, which speak to your clients' pain-points and needs.

Digital marketing improves your brand

And guess what? When your marketing efforts are more targeted, your brand becomes more meaningful.

Instead of appealing to all, you draw in those clients who truly align with your business values and mission.

Not only will you attract new clients, but you'll translate this value to your existing ones. That means client loyalty and satisfaction increases.

It's a win-win.

Digital marketing is always active

Finally, a mega plus point for digital marketing is simply that it's always on. Whether customers want information at 11:30 in the morning or during an insomnia-induced 3am Google trawl – they'll be able to find your content, nonetheless. You'll continue building brand awareness well after you clock off work at 5pm.

How to attract new clients with digital marketing

We know why digital marketing is important. And we know why it works. But how can we reap these rewards? For digital marketing to work, it has to be implemented right. By following these top-tips and strategies, you'll be sure to increase client acquisition and retention in no time at all.

So, let's get down to the nitty gritty.

Here are some of our favourite digital marketing strategies and techniques.

1. You'll need a wicked website
First things first, you're going to need a killer website. Your clients will want to garner as much information about your practice and practitioners as possible before making any financial decisions. A professional, user-friendly website that functions perfectly on a web browser and mobile is crucial. Things to include:

- Attractive design and user-friendly interface
- Your credentials (experience, expertise)
- Detailed list of services and prices
- Engaging, informative content
- Contact information
- Links to social media platforms
- Client testimonials
- A great call to action (CTA)

2. Informative content
To stand out from your competitors, add value with meaningful and informative content. Blog posts, whitepapers, e-books – whatever you fancy – offering customers professional information will show why your firm is the one for them.

Your content backs up your credentials and helps your clients out with actionable advice. By writing about topics that fall under your area of expertise, you'll show your readers just how good you are.

While you're at it, don't forget to optimise your content for SEO. For your content to be seen, it needs to rank in Google's top 10. Driving traffic to your website is essential for leads. You could use an SEO software or service to help you out with this. You need to figure out what your target clients are asking, and what they are typing, every time they hit the Google search bar with an accountancy related issue. Make sure your content gets seen and answers their question first-time.

3. Social media
Love it or hate it, social media is an important part of contemporary life and marketing is not exempt. Being active on social media isn't just a bit of fun on the side. Oh-no, social media platforms are one of the best ways to raise brand awareness, generate new leads, boost marketing reach, and increase customer loyalty. Social media marketing is now a beast of its own. And getting it right will be some serious competitive ammunition in your back pocket.

Social media to-do list:

- Create a Facebook group aimed at your target market

This should be a hub of mutual interest, valuable information, and community building. By updating group content regularly, you'll keep your target consumers engaged.

- Get on LinkedIn

If you're not already, get yourself on LinkedIn. Update your profile with relevant information and include a high-quality, professional image of yourself (if you're a sole practitioner) or your company logo.

A good profile alone can help prospective clients find you. To get one step ahead of your competitors, try to engage in regular activity on LinkedIn. Join relevant groups and post a few times each week using relevant, engaging hashtags.

4. Experiment with multimedia content
There are so many online platforms to choose from, so why not get a finger in a few more pies? Multi-media content is a great way to promote customer engagement. Did you know that 72 per cent of customers prefer video over other methods for learning about products? And, even better, 92 per cent of users watching video on mobile will share it with others. Video is a huge asset that often goes unused in the accountancy industry. And video can be used in so many different ways. Why not try hosting informative webinars, creating a YouTube channel, or starting a podcast?

5. Email marketing
Finally, don't forget about email. Email might feel like a dinosaur compared with all of these trendy media alternatives, but don't be fooled. Email is still going strong and personalised emails are the new dynamite when it comes to customer engagement. Emails with personalised subject lines generate a whopping 50 per cent increase in open rates.

There are a few things you can do to maximise your email marketing efforts for today's marketplace:

- Make emails mobile friendly
- Capture email addresses with a lead magnet
- Send regular newsletters (to a consistent schedule)
- Offer value (don't be too salesy)
- Include review links (because reviews mean conversions)

Don your digital marketing cap

Despite years of reliance on word-of-mouth referrals, financial services today must step up to the plate when it comes to relevant marketing tactics. In order to remain competitive and valuable to the clients that matter, digital marketing is non-negotiable.

If you're ready to embrace the digital age for your business, get in touch with IPA's preferred education provider – Monarch Institute. With online marketing courses you can study in your own time, and get support from trainers when you need it.

Nick Chapman
Monarch Institute

Meet the boys behind Pathfinder Guitar

Ben Plant, Dave Hendley and Mitch Parker run Pathfinder Guitar with the aim to help people discover their path as a guitarist

Describe your business.
We run guitar lessons and courses for students of all ages and backgrounds. Our focus is more on what we call 'contemporary' music, which means we teach more of the practical side to playing modern guitar styles rather than the traditional classical approach. Most of the time, that's done through small group lessons, specialist workshops, performances and (particularly in the last 12 months) online and recorded lesson material. About half of our students are adults with the other half being six-18 years old.

How did your small business journey begin?
I'd worked as a part-time guitar teacher throughout university but I had to give it up when I went into the corporate world, mostly to allow myself time for gigs and touring outside of work hours. After a few years of juggling the life of a touring musician and digital marketer, I decided I really wanted to focus myself back on the music industry and, in particular, teaching.

The motivations were a mix of personally wanting a bit more control over my schedule and lifestyle, wanting to continue to build skills as a guitar teacher and ultimately wanting to create the sort of education I wish I'd had when I first picked up the guitar. Not so much a case of seeing a gap in the market as knowing the traditional approaches weren't very effective and wanting to try to fix it.

To begin with I just did it part-time from home, after a few months building courses and business processes, which then expanded into hiring another teacher and renting out a bigger house to both live in and teach from.

Eventually we grew to the point where I began working on the school as administrator and teacher full-time, and from there we fitted out a warehouse for a more permanent teaching studio.

How would you describe your small business?
As a business, I'd say we're very focused on what we do. Our biggest strength is definitely the people who make up our business, which aren't just myself and the other teachers, but the students, parents and all of the music industry people who regularly help us out and support what we do.

Being a service-based business, we are pretty close with our customers, as they're all students - we see them all at least once per week. It does also make us heavily reliant on repeat business, very similar to gyms and sports clubs, I suppose.

What's the best business advice you've ever received?
Not so much advice, but one of the most important things I learnt about running a business was by following the example of my karate instructor. In martial arts, there's typically less of a transactional feel to the relationship between student and school than there are in many music schools. Instead, students are often expected to help other students as they become more experienced, and teachers are expected to pass on their knowledge as part of their own education - highly effective, and great for building a support network for students that was wider and more robust than one teacher can provide.

Copying approaches from other businesses like this has really helped us heaps. We even use a grading structure similar to martial arts with coloured picks. And when the karate club offered waived payments for students suffering financial difficulty during COVID, we offered it to our students, too. Of course, we've had to adapt some ideas so they work better for music education (can't exactly give a student push-ups when they get a chord wrong) but learning from across industries is certainly something we're always mindful of.

What are you currently up to in your business?
Back in March 2020 we had a workshop around playing in groups and bands, with a view to making an ongoing program where students could learn how to play live music with everything from setting up the gear to rehearsing the songs to booking the shows.

That was obviously put on hold, and with the live music scene in Australia in tatters we're reworking the approach to start the program in July 2021. Currently, we're trying to figure out how we can afford to run the events for free or on a 'pay-what-you-want' model to encourage high participation whilst still giving the oversight and education necessary to make it worthwhile.

What are the biggest obstacles to being a small business owner?
I think the biggest hurdle is working out everything that you need to do, and forecasting what the effects will be before you do it. For example, I know plenty of people who are great at what they do, but know nothing about marketing, or accounting, or even more basic things like sales and sales forecasting. Knowing the difference between growth and profitable growth is tough, and you often have to think long-term to know the difference.

I was lucky in that I had some experience in these things but a lot of it I just had to learn on the fly. It took time and it was outside my comfort zone but it's a hurdle we all have to overcome at some point.

What is one piece of advice you would give someone wanting to start or expand a small business?
Being a music business, we suffer discrimination all the time (just before signing the lease on our commercial property, the landlord realised we were a guitar school and asked for six months' rent up front and full access to our financials, even after we'd proven all the standard tests and had paid our bond. Many real estate agents even refused to show me properties if I mentioned music), so I've always had the 'boot-strap' mentality of do everything yourself initially, make sure you're profitable early and learn how everything works before you employ someone else to do it for you.

It doesn't mean you need to do all the work yourself, but at least understand and give everything a go first so you know what's involved.

Perhaps others who are in the start-up or tech space will advise differently, but I'm also really happy we did everything without loans and grew slowly at the start. It helped us iron out issues and grow organically, and made it easier to take risks with different programs, lesson formats and processes.

How to lead with greater confidence

Have you ever met somebody, either in a social or professional situation, and been in awe of how much confidence they have? Did you then walk away and tell yourself, "she or he was probably born confident", "they are obviously an extrovert" or "they must be an overachiever"? The truth is, none of us are born with confidence

| by Colleen Callander |

WE ALL suffer from confidence issues, a lack of self-belief and "imposter syndrome" at different points in our lives, either in our personal lives, career, appearance or the way we see ourselves compared with others.

Some of us suffer a lot and some suffer a little, but lack of confidence shows up in even the most seemingly confident people.

I have suffered from confidence issues and self-doubt. Whether that's been walking into a boardroom of strangers and asking myself, "Should I be here? Am I good enough?", doing a presentation and wondering if my audience was engaged, or meeting new people and wondering if they liked me.

My evolution from a shy teenager to a confident CEO has been a long and winding path with many experiences along the way that moved me towards the point where I could approach a boardroom and kill the self-doubt before I stepped through the door — but let's just say that transformation didn't happen overnight!

Confidence takes practice. Confidence is a skill, not a trait. It is like a muscle and the more you use it, the stronger it gets. Women seem particularly prone to experiencing confidence issues that hold them back.

According to a KPMG study on women's leadership:

- 67 per cent of women reported they needed support building confidence to feel like they could become leaders.
- Men not only negotiate pay rises four times more often than women, but they also negotiate harder, requesting 30 per cent more than women do.

There are many things we can do to build our confidence. Some of them are just small changes to our mindset and others we have to work on for a bit longer to create new habits.

I'm going to share six simple things you can do to build on your confidence:

1. Confidence is contagious
Confidence is contagious, just like negativity is contagious. When you surround yourself with other like-minded and confident people, it is like having a massive surge of positivity thrown into your day. Spending time around confident people is likely to rub off on you and help you build your own confidence.

2. Your words become your actions
A single word or sentence has the power to change your mood. It can set off a negative mindset or boost your confidence. It's important to practise using words that help us build our confidence.

Start telling yourself: "I am kind and helpful. I am great at my job. I am worthy. I am a loyal friend. I can achieve this. I'm going to apply for that promotion. I deserve it."

Positive language will have a positive impact on your day and on those around you.

Feeling more confident in yourself needs to start with changing the way you speak to yourself, the way you perceive yourself and, most importantly, the way you treat yourself.

Every day, think about the things that make you unique, special and wonderful.

Be empowered
Colleen's book inspires all women to have a voice, change the rules, live with confidence and embrace their superpowers.

3. Change your story
The stories we tell ourselves can negatively impact our confidence. Our inner critic is highly judgmental and can leave us feeling miserable and stuck. It can even sabotage our success.

Our inner critic can say things like: I'm going to fail. I feel guilty. I'm underprepared. I don't fit in. I need more skills or I'm not good enough.

We need to interrupt this story from taking control and create a more empowering story that helps us feel confident to take action.

Change your story — change your life!

4. Go for it!
In life, there are always people who'll tell you that you can't accomplish your goals and dreams — whether that's your employer, a teacher, a friend or a family member. People will try to tell you your goal is too big or crazy, that you're not ready or that you can't do it. Don't listen to them! People are changing the world every day, despite everyone around them telling them it can't be done. Go for it!

5. Know your values
When asked about their values, most people don't know them. Knowing our values is super important if we want to live with confidence. Values support all of our decision-making, both personally and professionally.

Values are the things that are most important in your life — those things that really matter to you. They're the ideas and beliefs that you deem to be most important in the way you live and work.

Values give us clarity with our decision-making. Living by our values allows us to feel more content, more confident and more in control, because our decisions are in line with our belief system.

6. Step out of your comfort zone
Whether you're an extrovert, an introvert or somewhere in between, trying something new or stepping outside of your comfort zone can be tough. You are going to be nervous, anxious and maybe even scared (that's normal).

If you think about the first time you tried something new — whether that be running your first webinar (I know my first one sucked), riding a bike, making your first dress or pitching to your first client — I'm tipping it was pretty awful compared with how it is now that you've had practice.

This is because the more you do something, the more competent you become, and the more competent you become, the more confident you become. Confidence starts with the willingness to try.

Most importantly, confidence starts internally. It starts with self!

Once you start to believe in yourself, the magic starts to happen. P

Colleen Callander
author of *Leader By Design*
and former CEO

Technical

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

Professional practice firms – targeted attention – ATO PCG 2021/D2

The ATO recently released Draft Practical Compliance Guideline PCG 2021/D2 in relation to the allocation of profits for professional firms, to apply from 1 July 2021

| by Tony Greco |

THE MISCHIEF it is trying to address relates to the owners of a professional firm being taxed on an "artificially low" share of the business' profits. Lawyers, engineers, architects, doctors, financial planners and accountants are amongst the likely suitors being targeted over how they manage their taxation affairs.

It is a contentious argument as to whether this is discriminative behaviour on behalf of the ATO. Perhaps in some sense it is, as it is specifically targeted, and looked at another way, it provides some level of certainty that firms are swimming between the flags and will not be subject to review if they can show a low-risk rating. The draft PCG is designed to give taxpayers confidence that if their circumstances have a low-risk rating, then the ATO "will generally not allocate compliance resources to test the relevant tax outcomes".

PCGs in general are statements that the ATO makes on how they will go about doing their primary role of administering taxation laws. In this case, the issue is whether the ATO will have an issue with the allocation of your professional firm's profits, particularly if it involves taxpayers who redirect their income to an associated entity where it has the effect of altering the principal practitioner's tax liability.

There are no new laws in operation, other than the existing anti-avoidance rules (Part IVA), which fundamentally apply equally to all taxpayers. Despite Part IVA applying to all taxpayers, this PCG effectively amounts to the ATO singling out professional firms with a tailored compliance approach on how such firms allocate their profits. No other group has been singled out for special treatment on how they split their income. A mum and dad partnership that splits their income to pay less tax does not receive this special attention.

Provided your business' profits are not personal exertion income and are allocated as permitted by your business structure (company, trust etc), your professional firm's profits are no different to those earned in any other industry (such as retailing).

Further, no anti-avoidance laws will have been breached in relation to the mere profit allocation itself.

In the absence of Part IVA factors, is the goal to intimidate professional firms into conservative tax outcomes, one asks? Perhaps this is the intended outcome as Part IVA requires the Commissioner to undertake a determination which is administratively burdensome for the ATO to undertake on a case-by-case basis. The PCG effectively puts the onus on the taxpayer to self-assess, and in doing so, to provide this information to the ATO in response to an information request, which could lead to a review. I could not imagine many firms would be willing to engage in litigation and air their taxation arrangements in the public domain in the process of defending an amended assessment. For small firms there is a significant power differential at play here, as the vast majority of affected businesses are in no position to want to take on the ATO.

"AS LESS AND LESS IS ALLOCATED TO THE OWNERS, AND MORE TO RELATED PARTIES, THIS SENDS YOU TO THE AMBER ZONE, AND THEN THE RED ZONE"

History first

Tax planning dates back to the dawn of time and has continued unabated ever since. The concept of trying to split income to pay less tax remains the lure that taxpayers seek to achieve legitimately if the circumstances allow for such tax planning. It all started in 2015 when the ATO issued guidelines regarding the allocation of profits within professional firms. The guidelines were suddenly withdrawn in December 2017, mainly as a result of being misinterpreted in relation to arrangements that went beyond their scope.

The ATO was identifying scenarios where groups of professionals were restructuring themselves to access the suspended guidelines. The suspended guidelines were intended for existing structures. On 1 March 2021 the ATO issued replacement guidance by way of draft PCG 2021/D2 after much consultation. For those who were accustomed to the suspended guidelines, the framework for assessing risk in the Draft PCG is much more complex and can move entities up the risk scale, so the goal posts have shifted. Thankfully this has been recognised as part of the transitional arrangements (see page 74) allowing firms to continue to apply the suspended guidelines until June 2023.

Under the previous Suspended Guidelines, a return of profit of 50 per cent in the hands of the individual professional practitioners (IPP) would have been considered low risk on its own (i.e. without needing to meet any other risk assessment factor). Similarly, an effective tax rate of 30 per cent for income received from the firm by the IPP and associated entities would have been considered low risk on its own.

However, under the Draft PCG, the same circumstances would receive a score of 9 and a high-risk rating. A 1 per cent difference for either measure (i.e. 51 per cent of income return in the hands of IPP or an effective tax rate of 31 per cent) would still yield a score of 8, and a moderate risk rating. Some relatively minor adjustments to the manner in which risk is measured (i.e. the numbers) has resulted in a significant risk rating change.

What's it all about

The PCG is relevant only for professional firms where the profits are not "personal exertion" income. That is, it won't apply to, for example, a sole trader (even where operating through an entity), as the profits must be allocated to that individual in any case subject to the personal services income regime.

So, we're generally concerning ourselves with professional firms that have professional staff in addition to the IPP. The ATO's concern is over the owners of a professional firm being taxed on an "artificially low" share of the business's profits by channeling a portion to an associated entity or entities such as a trust, company or family member with the aim of paying a lower marginal tax rate than if the income were taxed in the hands of IPP.

Allocation of your business' profits – gateway

A taxpayer must pass through two gateways before being able to rely on the draft PCG.

Gateway 1 considers whether the arrangement, and the way it operates, are commercially driven. The arrangement must also be appropriately documented and there must be evidence that the stated commercial purpose was achieved as a result of the arrangement. There must also be a genuine commercial basis for the way in which profits are distributed within the group, especially in the form of remuneration paid. Relevant considerations are whether:

- the IPP actually receives an amount of the profits or income which reflects a reward for their personal efforts or skill;
- the income has been distributed in substance;
- the IPP ultimately benefits from the distribution of income to associates, which is referrable to the personal efforts or skill of the IPP;
- the remuneration is less than a true commercial comparable and would not be perceived as an arm's length payment;

- there are loan accounts relevant to the arrangement — whose name those accounts are in and whether they are aware of the loans;
- the payment recipients;
- have control in managing the entity's cash flows and financials;
- actually receive the money and keep it, or whether it is distributed out to others. Where they do receive the money, whether it is available for their use and enjoyment, or is in fact predominantly for the IPP's use and enjoyment.

Gateway 2 requires that the arrangement must not contain potentially high-risk features, such as:

- financing arrangements relating to non-arm's length transactions;
- exploitation of the difference between accounting standards and tax law;
- arrangements where a partner assigns a portion of a partnership interest that are materially different from those in the Everett and Galland cases; and
- multiple classes of shares and units held by non-equity holders.

If a taxpayer satisfies Gateways 1 and 2, the draft PCG provides a "risk assessment scoring table" that assigns a score depending on:

- the proportion of profit entitlement from the "whole of the firm group" returned in the hands of the IPP;
- the total effective tax rate for income received from the firm by the IPP and associated entities;
- remuneration returned in the IPP's hands as a percentage of the commercial benchmark for the services provided to the firm.

THE RISK ASSESSMENT FRAMEWORK
Step 1: Risk assessment scoring table

Risk assessment factor	Score 1	2	3	4	5	6
1. Proportion of profit entitlement from the whole of firm group returned in the hands of the IPP	> 90%	> 75% to 90%	> 60% to 75%	> 50% to 60%	> 25% to 50%	≤ 25%
2. Total effective tax rate for income received from the firm by the IPP and associated entities	> 40%	> 35% to 40%	> 30% to 35%	> 25% to 30%	> 20% to 25%	≤ 20%
3. Remuneration returned in the hands of the IPP as a percentage of the commercial benchmark for the services provided to the firm	> 200%	> 150% to 200%	> 100% to 150%	> 90% to 100%	> 70% to 90%	≤ 70%

THE RISK ASSESSMENT FRAMEWORK
Step 2: Risk zones. The aggregate of the scores determines which risk zone applies

Risk Zone	Risk level	Aggregate score against first two factors	Aggregate of all three factors*
Green	Low risk	≤ 7	≤ 10
Amber	Moderate risk	8	11 and 12
Red	High risk	≥ 9	≥ 13

* **Note:** The use of the third risk assessment factor is optional as the ATO recognises that it is difficult to determine accurately.

The first two risk assessment factors may be used, instead of all three, where it is impractical to accurately determine an appropriate commercial remuneration against which to benchmark.

Those risk scores are added up to place a taxpayer within a low, medium or high-risk level zone (green, amber or red). As less and less is allocated to the owners, and more to related parties, this sends you to the amber zone, and then the red zone. If you're in the green zone, in the absence of exceptional circumstances, the ATO will be unlikely to commit compliance resources your way.

If you're in the amber or red zones, expect further analysis of your arrangements. Priority focus will be given to those in the red zone, perhaps even proceeding directly to an audit.

One would expect that once the PCG is finalised that the ATO is likely to use its formal powers for information gathering to obtain information on how entities have self-assessed their risk rating.

General anti-avoidance rules still apply

The draft PCG does not constitute a "safe harbour" or relieve taxpayers of their legal obligation to self-assess their compliance with relevant tax laws. The general anti-avoidance provisions in Part IVA of the ITAA 1936 will continue to apply to schemes designed to ensure the IPP is not appropriately rewarded for the services they provide to the business, or receives a reward substantially less than the value of those services despite the existence of a business structure. The draft PCG is designed to give taxpayers confidence that if their circumstances have a low-risk rating, the ATO "will generally not allocate compliance resources to test the relevant tax outcomes".

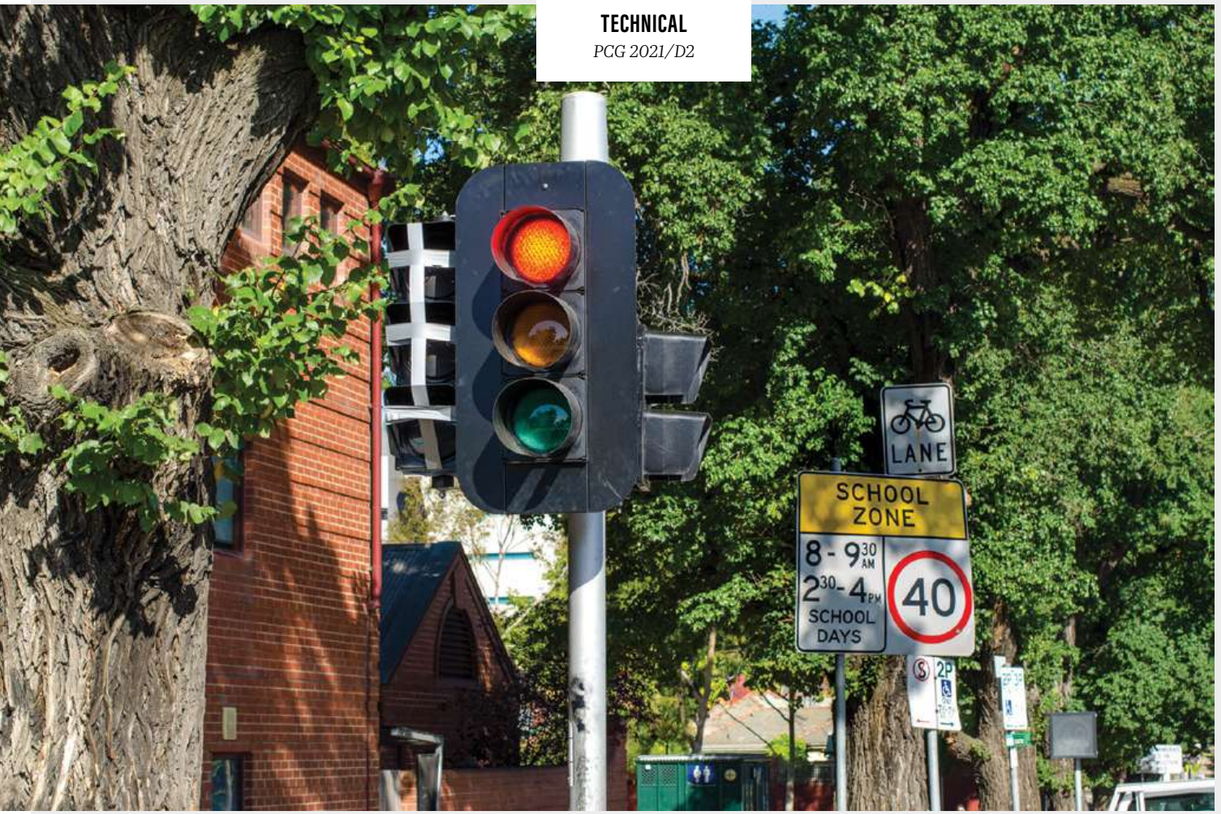
The use of companies, trusts and other business structures do not of themselves give rise to avoidance concerns. However, if the use of the structure is to redirect income inappropriately, then Part IVA can apply. When the business involves the provision of services, the ATO will be concerned with arrangements where the compensation received by the individual is artificially low while related entities benefit (or the individual ultimately benefits), and commercial reasons do not justify the arrangement.

Date of effect and transitional arrangements

When finalised, the PCG will apply from 1 July 2021. The ATO says the use and application of the PCG will be reviewed from and during 2022, "any revisions to improve its efficacy will be made on an 'as necessary' basis".

The ATO says it recognises that the publication of the PCG may cause taxpayers to review their existing arrangements. Consequently, some taxpayers may modify their arrangements to prospectively come within the green zone. Para 103 of the draft PCG should be noted:

"103. Taxpayers who entered into arrangements prior to 14 December 2017 are able to continue to rely on the suspended Assessing the risk: allocation of profits within professional firms guidelines (Suspended Guidelines) (published on ato.gov.au in 2015) for the years ending 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021, as long as their arrangement complies with those Suspended Guidelines, is commercially-driven, and does not exhibit any of the high-risk features outlined in paragraph 42 of [the draft PCG]. In recognition that certain arrangements considered low risk under the Suspended Guidelines may have a higher risk rating under this Guideline, we are allowing a grace period for those IPPs to take the required steps to modify their arrangements to be lower risk, if they choose. Accordingly, those IPPs may continue to apply the Suspended Guidelines to their arrangements until 30 June 2023."



If a taxpayer identifies that they are no longer low risk, and they wish to transition their arrangements to a lower risk zone, they can inform the ATO of their intentions at any time. If the taxpayer engages with the ATO in good faith, this engagement will be on a 'without prejudice' basis.

The ATO has a dedicated team for the oversight and management of profit allocation arrangement risks. Email: ***ProfessionalPdts@ato.gov.au***

Initial reactions

Our initial reactions include the following:

1. Risk parameters

Small changes in the profit distribution and tax rate can significantly change the compliance risk result and therefore the likelihood of attracting compliance attention from the ATO. The risk rating of an IPP can move from low to high based on a small change in the profit distribution and tax rate amount. The risk assessment scoring table and risk zones indicate that provided IPPs receive a proportion of profit entitlement of greater than 50 per cent (say 50.1 per cent) and a total effective tax rate of greater than 30 per cent (say 30.1 per cent), they would be in the green zone. Only a small amount of change to the proportion of profit can move the risk rating into the red zone. Smaller, less profitable firms may be disadvantaged as a result. IPPs in firms with higher total income will have a reduced risk rating as income returned by the IPP will be subject to higher marginal rates, therefore bringing the total effective tax rate up. Given that risk rating may not equate to the existence of any Part IVA factors, the PCG can therefore lead to unnecessary compliance activity and costs.

2. Corporate structures used by smaller and relatively newly established professional firms

The draft PCG contains five examples illustrating how to apply different aspects of the proposed compliance approach and seven case studies. However, the guideline does not contain any examples of the common scenario of professional firms run through a corporate structure. Inclusion of such examples would then ideally need to also address following factors:

- profit distributions made via dividends and whether franking credits are taken into account in determining remuneration received by IPPs;
- profit/dividend payment timing mismatches. For example, if the firm's profits for year one are paid to the IPP as a dividend in year two, the question arises as to which year the profit entitlement should be taken into account for the risk assessment factors; and
- treatment of superannuation (compulsory and voluntary) and fringe benefits, which are common occurrences for IPPs in corporate structures. Clarification of how these benefits are taken into consideration as part of 'risk factor 1 – proportion of profit entitlement' and 'risk factor 2 – effective tax rate risk assessment process', would be beneficial.

We would hope that prior to finalisation of the Draft PCG, examples of this common practice structure are considered, including issues noted above and form part of amended PCG risk assessment guidance.

3. Legal basis underscoring PCG

As noted in the joint submission by the accounting bodies, the Draft PCG is primarily a guide to assess the likelihood of the ATO reviewing the affairs of an IPP and his/her firm with a view to applying the general anti-avoidance provisions in the *Income Tax Assessment Act 1936* (Part IVA).

However, we observe that the exclusionary "Gateways" and risk assessment framework are not necessarily constructed to align with Part IVA factors. Rather, the Draft PCG uses broad, unadjusted measures as proxies for Part IVA risk. As a result, the risk scores reflect neither the nuance nor specificity required to properly assess the level of risk. Nor does the Draft PCG provide either the ATO or the IPP with assurance that arrangements with high risk scores are, in fact, likely to be those to which Part IVA could be successfully applied.

There is no general principle of taxation law dealing with, or proscribing, the so-called "alienation of income". That is, in the absence of specific statutory provisions such as the personal services income or general anti-avoidance rules, there is no general principle which brings about the result that the income or profit beneficially derived by a partnership, company or trustee of a trust, that has arisen from the personal exertion or skilled labour of an individual, can be regarded as the profit or income of that individual. It does not matter how involved such an individual may be in the activities from which the income is derived by the entity.

Given this situation, it is likely that professional firms may feel coerced into changing their current arrangements even where the IPP can show that they are remunerated on an arm's length basis for the services they provide to the firm. Is the goal of the PCG to intimidate professional firms into conservative tax outcomes in the absence of Part IVA factors? Profit or income of a professional firm usually comprise different components — reflecting a mixture of income from the efforts, labour and application of skills of the firm's IPPs (that is, personal exertion) and income generated by the business structure including intellectual property. The proportion of profits benchmarked in the risk assessment scoring table applies a one-size-fits-all approach which does not take into account the differing profitability of various firms and different types of professions. The profitability of firms can differ greatly between different firms and/or professions depending on their location, the types of clients and the specialties and capabilities of the IPPs and their staff. Some are more reliant on the professional expertise and services provided by the principal IPPs and for others profitability is more dependent on the services and expertise provided by the structure, other IPPs and staff members.

Not many firms would be willing to engage in litigation and disclose their taxation arrangements in the public domain in the process of mounting a defence against a review if litigation is the only way to fight an amended assessment. For small firms there is a significant power differential at play here, as the vast majority of affected businesses are in no position to want to take on the ATO.

4. Effective rate of tax

The effective tax rate thresholds do not factor in the legislated reductions in corporate and individual tax rates. We believe that this will result in a very large number of IPPs across a broad range of firms being classified as moderate or high risk when their arrangements are highly unlikely to trigger Part IVA. When the original guidance was released in 2015, the corporate tax rate was universally 30 per cent. The reduction in the rate to 25 per cent from 1 July 2021 will result in a score of 5 using risk assessment factor 2, making it much easier to fall in the amber or red zone. This is further exacerbated by the increases in the personal income tax thresholds, which now means that for an individual to have an average tax rate of 30 per cent, they need to have earnings of just over $195,000.

Total effective tax rate

The risk assessment factor for the 'total effective tax rate' discriminates against smaller/less profitable firms and part-time IPPs. Some suburban and country firms and part-time IPPs may not attain the more than 30 per cent average tax rate even if receiving a substantial majority of the relevant share of the firm's 'profits'.

In summary

Following a period for receiving comments, the draft PCG is expected to be finalised in the coming months, and the ATO will apply it to the 2021–22 year onwards. Based on your existing profit-allocation practices, firms will need to assess which zone you'll likely land in for 2021–22.

If it's looking like you'll land in the amber or red zones, and you're uncomfortable with the position, you may need to plan for a different profit allocation that will shift you towards the green zone. It's also unclear how the ATO will review your zone self-assessment, as this is not readily ascertainable from the existing information disclosed so it may need to rely on its information gathering powers to request this information.

It's early days so we will need to see what changes are made to the PCG after the consultation process has been finalised.

Tony Greco FIPA
general manager of technical policy, IPA

ATO guidance to SMSF auditor independence

The ATO has released its long-awaited guidance to SMSF auditor independence, reaffirming the requirements set out in APES 110 Code of Ethics for Professional Accountants

| by Shelley Banton |

AS THE revised Code states, SMSF auditors must apply the conceptual framework that identifies, evaluates, and addresses independence threats. To comply, SMSF auditors must exercise professional judgment, remain alert for new information, and any changes in facts and circumstances.

SMSF auditors should be applying a litmus test by asking themselves whether they would have any hesitation in qualifying an audit report or writing up an adverse finding. By way of example, if an SMSF auditor identified a reportable compliance breach for a new client and dealt with it through a management letter, then independence is compromised.

SMSF auditor independence threats

The ATO has outlined several scenarios that will always give rise to independence threats and cannot be eliminated. Under these situations, the SMSF auditor must decline or end the audit engagement.

One of the most interesting is that an auditor's firm (or network firm) cannot undertake the management responsibility for the fund where the audit continues in-house. These include activities, decisions, and judgments for which trustees are ultimately responsible, ranging from setting policies and strategic direction to ensuring compliance with the SISA and SISR.

Most importantly, the firm must demonstrate and document that the trustee has the relevant skills, knowledge and experience to remain responsible for their decisions. The trustee is also required to oversee the service and understand the objectives, nature and results of the firm's services. Practically, the firm can no longer provide administrative or operational advice to trustees, such as offering tax minimisation strategies, advising when to commence a pension and making decisions about maximising contributions caps.

Data feeds

The use of data feeds that help automate financial statements also falls under the banner of management responsibility. As previously reported by ASF Audits, the firm can have no decision or judgment regarding the set-up and maintenance of data feeds as it must firmly remain the trustee's responsibility. Situations that the firm must avoid include:

- selecting the accounting software for the data feeds and set it up for the trustee(s);
- establishing the general ledger and deciding how the transactions captured by the data feeds are to be coded and classified;
- checking the data from the feeds used in the financial statements and tax calculations to ensure it is correct;
- confirming that all transactions recorded from the feeds have been accurately reflected in the fund's accounts – for example, where contributions and earnings are automatically allocated to a member's account;
- monitoring the data feeds to ensure they are operating correctly; and
- being accountable for any mistakes in preparing the statements from the data feeds.

According to the ATO, firms will find it very difficult to substantiate compliance with this requirement.

Reciprocal auditing arrangements between firms

A reciprocal arrangement is where two firms prepare the financials in-house and enter into an agreement to audit each other's SMSF clients.

Both the ATO and ASIC have these arrangements firmly on their radar as an area of concern. They give rise to self-interest, intimidation, and familiarity threats which must all be addressed.

An appropriate safeguard would be to spread out the referral of clients to several different SMSF auditors, which would minimise the dependence on one source. Another might include engaging external quality control reviews or external consultation on critical audit judgments. An SMSF auditor could also consider increasing their client base, which is not always the easiest thing.

The most significant issues from self-interest and intimidation threats are the total fees generated from one client or multiple clients referred from one source, representing a large proportion of the audit firm's total fees.

The reason is that the audit firm is dependent on the source and is concerned about losing the clients.

ATO benchmark

While the Code is silent on the number of referral sources or a set percentage of fees from one or more referral sources required to reduce independence threats to an acceptable level, the ATO has been more vocal.

In its new guidelines, the ATO considers that well-established firms in operation for more than two years would not have an independence threat if the fees generated from one referral source are less than 20 per cent of the firm's total fees. However, SMSF auditors who rely on the ATO's 20 per cent benchmark, as a rule, to enter into a reciprocal arrangement will be sadly disappointed. It is not a get out of jail free card, and they will quickly discover that it refers to just one of the many independence threats that need to be reduced to an acceptable level.

The ATO will be amending their online independence guidance statement to clarify that the 20 per cent benchmark refers only to fee dependency issues.

Other factors relevant to evaluating threats

Each firm will be required to evaluate the many factors relevant in assessing the significance of independence threats, bearing in mind that the 'reasonable and informed third party test' must be passed at each step of the way.

The type of threats could include the firm's operating structure and services, how the firms communicate with each other, their audit integrity, technical competence, and level of audit fees, to name but a few.

Once again, it is critical to ensure that there are no circumstances that will compromise professional judgment and that the perception of independence in mind and appearance is present at all times.

Audit pooling arrangements, in particular, will be subject to extra scrutiny by the ATO as they are considered an extension of reciprocal arrangements. There are more potential threats involved in structuring a group of firms with a higher risk of non-compliance.

Conclusion

The ATO's guidance to SMSF auditor independence provides a comprehensive blueprint of their expectations in applying the revised Code's conceptual framework and meeting the new independence requirements. While it is not an exhaustive list, using professional judgment will continue to ensure that all arrangements are within the spirit of the Code.

With the 1 July 2021 deadline fast approaching, time is quickly running out.

The best practice for SMSF firms is to take the first step and review their current situation. It will then become clear whether they need to transition to an outsourcing arrangement that ensures continued compliance with the new independence standards.

Shelley Banton
head of education,
ASF Audits

Are e-signatures legal?

There has been much speculation about the legality of e-signatures in recent weeks with temporary measures instituted for COVID-19 expiring. The good news is that e-signatures have been legally acceptable for accounting practices in Australia for over two decades, and this has not changed

THE ACCEPTANCE of e-signatures dates back to introduction of the *Electronic Transactions Act* in 1999. There are only a few exceptions or use cases where a document cannot be signed digitally, such as legal proceedings, powers of attorney or some forms of documents which need to be witnessed.

As a result of the COVID-19 crisis, temporary measures were put in place to facilitate digital signing of these types of documents due to social distancing restrictions. While these temporary measures have expired, these changes will have little to no impact on Australian accountants.

In 2017, Adobe worked with Australian law firm Norton Rose Fulbright to review the Australian law as it relates to e-signatures and to recommend best practices when signing documents electronically. The report found that under the Commonwealth and state electronic transactions legislation (ET legislation) it is easy to implement and use electronic signatures in a legally "compliant" manner in most regular business processes, including sales, human resources, legal and procurement.

From an accounting perspective, the Australian Taxation Office (ATO) specifies it accepts digital signatures for tax returns. Unless accountants are dealing with specific documents that require wet signatures, all types of e-signatures are legally accepted.

Meeting your legal requirements

Accountants need to be aware that signing documents electronically is legally binding provided they meet three requirements stipulated by the Commonwealth and state ET legislation:

1. Identify the signatory and indicate their intention to sign the relevant document or transaction;
2. Be either as reliable as appropriate for the purpose of the transaction or document to be signed; or proven in fact, either by itself or in conjunction with other evidence, to identify the signatory and their intention to sign the relevant document or transaction; and
3. Show that the person to whom the signature is provided consents to the method of signing used.

To avoid legal pitfalls, accountants need to consider the data that's being captured with an e-signature is sensitive data, therefore data residency and keeping the data on shore should be a high priority. E-signatures should also be signed with a secure solution which complies with the leading industry standards in security.

Security tools such as multi-factor authentication can help to increase the level of security, by sending a one-time password code to the signer to log in with before accessing and signing the document. Accountants should also check with their technology providers that the solution is hosted on a highly secure cloud infrastructure.

E-signatures now a business imperative

Throughout 2020, we saw the use of e-signatures grow rapidly. Our own research found that more than 76 per cent of respondents across APAC had signed more documents electronically in the last six months of 2020 than in the past two years. Almost half (48 per cent) of Australians have signed documents electronically in the last two years, with current adoption rates highest among Millennials (61 per cent). This behaviour is set to become the norm, with 80 per cent of Australians stating that they will continue to e-sign documents after the pandemic is over. In fact, this service will be expected, with three-quarters (73 per cent) believing companies that don't offer e-signature options are behind the times.

Australian businesses are rushing to meet these consumer expectations, with research from Forrester finding two in five (42 per cent) Australian businesses are either planning to implement or expand on their digital document process solutions over the next 12 months.

The move to digital document solutions provides businesses with a number of benefits beyond meeting customer expectations. Firstly, it promotes business continuity in the short term and resilience in the longer term. It also improves the employee experience and boosts productivity. Finally, digital document solutions facilitate greater collaboration across entire workflows and in doing so create business efficiencies.

So not only are e-signatures legal, they are preferred and good for business.

Chandra Sinnathamby
head of Adobe Document Cloud, Asia-Pacific

Streamline all of your engagements this EOFY

Find out how Lark Business Advisory found "The Way" with Practice Ignition

"We had our largest ever growth in revenue in 2020. Business increased by 20.9%, largely because we had the time to deep-focus on our marketing and sales efforts. Practice Ignition was key to that growth ... It massively speeds up onboarding."

Eric Cirulis,
CEO of Lark Business Advisory

The Client: Lark Business Advisory

Lark
BUSINESS ADVISORY

Industry: Accounting

Location: Melbourne, Australia

What Practice Ignition provided:

- Rapid acceptance of proposals and instantaneous payment.
- Effortless invoicing, optimised collections, and improved reporting

Scan to read the full case study

Scan to start a 14-day free trial

PRACTICE Ignition