



Pre-Budget submission 2012–2013

CPA Australia
February 2012

CPA Australia Ltd ('CPA Australia') is one of the world's largest accounting bodies with more than 139,000 members of the financial, accounting and business profession in 114 countries.

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Introduction

CPA Australia represents the diverse interests of more than 139,000 finance, accounting and business professionals living in 114 countries, about 70% of them resident in Australia. Members consistently express strong interest in public policy and CPA Australia is committed to a creative engagement with governments and their agencies to ensure economic and social policies that foster improved productivity and economic growth. We welcome the opportunity to make this 2012–13 pre-budget submission.

The next 12 months at least are expected to be unusually challenging for many businesses in Australia's transitioning economy. Locally, an extremely large capital investment phase is under way in the resources and related sectors. Against that, the wider economy is faced with conditions that reflect a reversal of consumer credit growth and lower confidence generally. Globally, a Euro zone recession is likely, US growth remains subdued and China's economy appears to have also slowed a little. Many of these challenges are reflected in the business responses to CPA Australia's recent Asia Pacific Small business survey, where 43% of respondents indicated that they expect Australia's economy to shrink in the next 12 months. Those sentiments are reinforced by recent official reports by both the IMF and the World Bank.

CPA Australia is also of the view that there is a high likelihood that any improvement in measured growth is almost certain to be handicapped by uncertainty and volatility. Uncertainty in capital markets and credit liquidity is likely to be a big factor in the management of many businesses.

These issues present some immediate challenges for business and it is critical that government respond to these challenges through its 2012-13 budget by encouraging – or at a minimum not impeding – economic activity. Confidence-building measures, whether they be productivity reforms or new efforts to sharpen Australia's advantages, are potentially vital public policy priorities at this time.

The 2012-13 Federal Budget, and subsequent budgets for at least the next generation, should be framed around improving Australia's very poor rates of productivity growth, and positioning Australia to realise the opportunities and address the challenges of the Asian Century.

We also note the overarching goal of the Australian Government in framing its 2012/13 budget is a return to surplus. This is a short-term political goal, not an economic goal. Nor is it a goal in any vision for Australia's future in the Asian Century. We are of the firm belief that budgets should be set within a framework of prudent fiscal management. Prudent fiscal management requires the balancing of the budget over the economic cycle.

Given the patchwork nature of the Australian economy, moderating rates of growth from China, a likely recession in Europe and a slow recovery in the US, the race to surplus, from an economic perspective seems premature.

Australia has many competitive advantages, in particular we have a developed, open economy with high standards of governance and we are situated in a region characterised by evident and sustained growth. We are therefore well positioned to take advantage of globalising forces. These strengths are some that need to be promoted and amplified.

Further we need to promote Australian productivity to ensure the longer term stability of Australian employment and economic wellbeing. It is important that the reform focus for productivity include not only all factors of production, but also ineffective regulation and efficient allocation of capital.

Regarding capital and capital markets, we should require that our capital markets maintain not only a high standard for probity and governance, but also efficiency, effectiveness and stability. And it is particularly important that we ensure that our unusual policy of compulsion for household savings via superannuation is effective in meeting its goals. On present evidence there are grounds to believe that the compulsory superannuation system lacks strong discipline, especially in the areas of transparency and is not contributing as it should to effective capital market outcomes.

Australia should develop its capacities to serve local and regional capital purposes by sustaining a local market that is recognised as a standard-setter for its efficiency, transparency, governance and depth of liquidity.

The recommendations made by our organisation for the 2012–2013 fiscal year are presented under five separate but related headings:

1. Capturing the benefits of the Asian Century
2. Productivity, business and investment
3. Regulation, standard setting and the profession
4. Better business practices
5. Other budget related proposals

Summary of recommendations

A summary of CPA Australia's recommendations follows.

1. Capturing the benefits of the Asian Century

1.1 Improving Australia's understanding of Asia

1.1.1 Investigate the introduction of compulsory Chinese language studies in schools

The Federal Government should in conjunction with state and territory governments, fund a review into making the study of the Chinese language compulsory in all Australian primary and secondary schools.

1.1.2 Integrate the study of Asian history, cultures politics, religions and philosophies into the curriculum of all primary and secondary school students

- The study of Asian history, cultures, politics, religions and philosophies be taught to all primary and secondary school students
- The Federal Government should in conjunction with the state and territory governments, fund extensive teacher training in Asian subjects so they can better teach about Asia.

1.1.3 Extend current Asian literacy programs in schools

The Federal Government and the state and territory governments extend funding for the national program to enhance Asian literacy and increase the uptake of Asian languages amongst primary and secondary students, called the National Asian Languages and Studies in Schools Program (NALSSP).

1.1.4 Increase Asian literacy amongst Australian university students

The Federal Government fund the annual placement of 10,000 to 15,000 Australian tertiary students into universities in Asia as part of their Australian degree, for at least one year, following an extensive promotion of the benefits of placements.

1.1.5 Improving the broader communities understanding of Asia

The Federal Government fund a free to air television channel that is dedicated to programming from Asia, to expose more Australians to Asian news, politics, entertainment, cultures, societies etc.

1.2 Maintaining and building upon our engagement with the region

The Federal Government should coordinate a national program to identify and bring the best students and future leaders from Asia on scholarship to Australian universities.

1.3 Improve policy consideration on the Asian Century

The Federal Government establish a dedicated Asian Century policy research centre within government.

1.4 Assistance to business to take advantage of the Asian Century

- Fund the expansion of the Austrade presence in Asia
- Provide grants to business that wish to develop strategies to expand into Asia through AusIndustry
- Enable the National Broadband Network to assist businesses to take advantage of the Asian Century in the information, education and support provided to business on the NBN
- Funding exchange programs for small business between Australia and Asia.

2. Productivity, business and investment

Background

2.1 Tax reform

To provide a positive stimulus to the economy, encourage increased workforce participation and increase productivity, action should be taken now to reduce the current top marginal rate to 42 per cent in the short-term with consideration being given to a further reduction to 40 per cent at a later date in the light of prevailing budgetary conditions.

2.1.2 Business tax reform

2.1.2.1 Company tax rate reduction

To improve the competitiveness of the business tax system, facilitate further capital inflows into Australia and to enhance the overall productivity of the Australian economy, CPA Australia recommends that the company tax rate should be reduced in stages to 25 per cent as soon as practicable.

2.1.2.2 Reform of business tax losses

Any future reform of business tax losses should be targeted, affordable and not undermine the integrity of the corporate tax base. In particular, any such changes need to be directed at assisting small business entities. To fund such reform, certain existing tax concessions may need to be modified or removed.

2.1.2.3 Review of the transfer pricing regime

The proposed changes to Australia's transfer pricing regime should not be fast-tracked and enacted during the 2012-2013 year as it is essential that the business community be given sufficient opportunity to consider the practical impact of these landmark reforms. Moreover, we do not support the proposed retrospective clarification and application of the double tax treaties in the absence of any compelling business case.

2.1.2.4 State tax reform

To help enhance Australia's overall productivity, and in the absence of any other plausible plan, CPA Australia encourages the government to re-consider its position on the issue of using the GST to help facilitate the replacement of the existing inefficient state taxes.

2.2 Regulatory Reform

2.2.1 COAG regulatory reform agenda

- Council of Australian Governments (COAG) must complete the outstanding items on its current deregulation agenda, and that incomplete items be rolled over into the new deregulation agenda
- completed reforms be subject to post-implementation reviews to determine whether they have been successful
- the next deregulation agenda should focus on those areas that can demonstrate they can deliver the biggest improvements in productivity and better position Australia to take advantage of the Asian Century.

2.2.2 Improving local government regulation

The Federal Government consider offering reward payments to states and territories that develop and implement processes, guidance and resources that assist local governments to improve the current stock of regulations, reduce regulatory overlap and improve the quality of new regulation.

2.2.3 Benchmarking performance of deregulation agenda

The Federal Government should, when benchmarking Australia's deregulatory performance against other jurisdictions, put greater weight into benchmarking Australia's deregulatory performance against non-OECD jurisdictions from the Asian region.

2.3 Savings policy reform

2.3.1 Superannuation and retirement savings

2.3.1.1 Superannuation contribution limits

- Concessional contribution caps be restored to their original levels, and
- A 'lifetime' or rolling concessional contribution limit be introduced.

2.3.1.2 Abolishing the minimum Superannuation Guarantee (SG) threshold

The SG earnings threshold of \$450 per month to be replaced with a one month only threshold of \$450.

2.3.1.3 Abolishing the upper age limit for superannuation contributions

Abolish the upper age limit for all superannuation contributions.

2.3.1.4 Extend deductibility of superannuation contributions

Abolish the '10 per cent rule' for the deductibility of superannuation contributions to provide greater incentive and flexibility to people who have to make their own superannuation provisions.

2.3.1.5 Restoring the superannuation co-contribution scheme

Restore the superannuation co-contribution to its previous level.

2.3.1.6 Equitable taxation treatment of superannuation death benefits

The tax treatment of superannuation death benefits to be reviewed to ensure consistent and equitable treatment of payments to dependants and non-dependants alike.

Specifically,

- The taxation of all superannuation death benefits should be consistent, i.e. tax free
- The current inconsistencies between the definitions of 'dependant' in the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Income Tax Assessment Act 1936 (ITAA 1936) be removed by aligning the definition of 'child' in the ITAA 1936 with that in the SIS Act
- The appropriateness and utilisation of 'anti-detriment' payments be reconsidered
- The final payment of an income stream upon death to be treated as an income stream payment not a lump sum.

2.4 Improving the financial literacy of consumers

The government adopt Recommendation 11 of the Ripoll Inquiry and fund ASIC to undertake a marketing campaign to promote the MoneySmart website as the first stop for investors and potential investors. To ensure the effectiveness of such a campaign, an annual benchmarking process be implemented to track the awareness and usefulness of the MoneySmart website.

2.5 Infrastructure reform

2.5.1 Funding of Australia's infrastructure projects

The government consider the following measures to make long-term investment in major infrastructure projects attractive:

- provide a 40 or 50 per cent savings income discount on income received from investments in such projects
- issue AIBs to help fund a broader range of major infrastructure projects (not just the National Broadband Network)
- making the AIBs inflation-linked, ensuring higher returns than comparable financial products.

2.6 Other productivity, business and investment recommendations

2.6.1 Encouraging entrepreneurship

The Federal Government fund the establishment of industry specific incubators for start-up business in creative industries such as industrial design, graphic design, fashion design, film and television, and games development.

2.6.2 Re-prioritising complementary climate change policy measures

The Federal Government should re-prioritise its existing and planned spending on complementary measures towards a premium Research and Development tax credit for R&D into low emissions technology. This could be delivered through a 60 per cent tax credit (fully refundable), administered under the existing R&D tax credit regime.

2.6.3 Capacity building tools for small business

The Federal Government develop comprehensive schedules that articulate single quantitative measures of emissions for specific items of plant and equipment, for use by businesses that are not reporting entities under the National Greenhouse and Energy Reporting Act 2007.

3. Regulation, standard setting and the profession

3.1 Regulation of tax advice provided by financial planners

The Tax Practitioners' Board receive appropriate funding to ensure that it can suitably address all communication and implementation issues associated with financial planners being regulated under the Tax Agent Services Regime by the TPB.

3.2 Funding for Australian Securities and Investments Commission (ASIC)

ASIC has appropriate funding to ensure it can be effective and proactive regulating the capital markets and the financial advice industry in this period of economic uncertainty and be able to undertake the additional functions and activities it has been given responsibility of implementing in 2012.

3.3 Company Auditors and Liquidators Disciplinary Board (CALDB) and Financial Reporting Panel (FRP)

The government continue to fund the CALDB and FRP, or an alternative body.

3.4 Funding of the International Accounting Standards Board (IASB)

The government supports the proposal that the International Accounting Standards Board is appropriately funded by the governments of those countries that have adopted the standards of the IASB.

3.5 Duplication between Australia and New Zealand standard-setting bodies

CPA Australia recommends that the Department of the Treasury be provided with funding to investigate the likely net benefits that would come from the creation of single Trans-Tasman standard-setting bodies — one responsible for accounting standards and the other, auditing and assurance standards.

3.6 Phase 2 of National Credit Reform

The Federal Government state that the consumer credit regime will not be extended to the provision of small business credit.

4. Better business practices

4.1 Governance

- The government should provide adequate funding to the Australian Federal Police and ASIC to investigate any allegations of improper conduct by Australian entities.
- The Australian Trade Commission should develop a more active role in addressing governance issues and help Australian entities in the region behave appropriately.
- The government provide funding and support to assist the development of corporate governance systems and processes in the region.

4.2 Small business access to finance

CPA Australia recommends that the government support Recommendation 6 of the Senate Economics References Committee report titled Access of Small Business to Finance, being that the Australian Bankers' Association meet with small business representatives to develop a code of practice for lending to small business.

4.2.1 Improving financial management

The government work with lenders, industry associations and accountants to develop and distribute information and education products and provide subsidised training to improve the financial management skills of small business.

4.2.2 Alternate forms of financing

The government work with lenders, industry associations and accountants to develop and distribute information and education products that:

- increase small business awareness of different forms of financing
- when such forms of financing may be a suitable financing option
- how and where to apply for such financing.

4.3 Integrated reporting

4.3.1 Corporate law reform

It is vital that there be continuity of appropriate funding and resourcing of CAMAC as part of ensuring that Australian corporate regulation maintains world best practice standards.

5. Integrated reporting frameworks

CPA Australia recommends the Australian government, through the Treasury, actively pursue developments in integrated reporting. Further, that appropriate funding be provided to key agencies, such as the AASB, to pursue this major development.

5.1 Sustainability

5.1.1 Leading by example

Government agencies should be required to prepare sustainability reports and incorporate such reports in their annual reports to the Commonwealth Parliament. Such sustainability reports should be prepared in accordance with the GRI G3.0 guidelines.

5.1.2 State of the Environment (SoE) reporting

CPA Australia recommends that the Department of Sustainability, Environment, Water, Population and Communities be provided with short term funding to investigate the suitability of TEEB as a component in the development of current and future cycles of SoE reporting, and as a basis for assisting related environmental policy development.

5.1.3 Education in sustainability

In order that the insights gained from the above studies are fully utilised within the terms of the government's nation action plan, CPA Australia urges that consideration be given to the provision of limited funding to help embed sustainability training in key professions across the wider economy. The current fragmented approaches which emerged may detract from an area where Australia has potential to build a knowledge based competitive advantage. Moreover, the tools can be used to nurture the next generation of professionals with the skills of flexibility, adaptability, communication and sensitivity that will be necessary as part of Australia's shift to a more sustainable basis of economic activity.

6. Other budget related proposals

6.1 Building the capacity of the Australian Public Service

6.1.1 Mobility program

The government fund an expansion of mobility programs for public servants, including academics from tertiary institutions, between the Australian Public Service and the private sector and not-for-profit sector employers.

6.1.2 Improving Asian literacy in the Australian Public Service

The government provide funding to the Australia and New Zealand School of government (ANZSOG) and other similar institutions for them to place their students and academics in partner institutions in Asia.

6.2 Assistance for business affected by natural disasters

The government's response to future natural disasters incorporate the following support for business:

- provide more support on business issues, particularly to indirectly affected businesses
- establishing business enterprise centres in the affected areas or provide additional resources to existing business enterprise centres so that directly and indirectly affected businesses can have long-term access to business support
- expanding the eligibility requirements of the NEIS so that affected small business operators may qualify.

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1. Capturing the benefits of the Asian Century

Australia's present and future prosperity is clearly linked to Asia. Yet policy makers and the broader community cannot assume that Australia's competitive advantages, being our proximity to the rest of Asia, our natural resources endowment and multicultural workforce, will alone help us realise the benefits of the Asian Century.

If Australia is to grasp the opportunities and negotiate the challenges presented by the Asian Century, the Australian government in conjunction with state and territory governments, the Opposition, business and community groups must take a thoughtful, nuanced, consistent and long-term approach to the development of a comprehensive national blueprint for the Asian Century. Such a blueprint must be beyond the purely economic. Culture, education and politics all come into the equation.

The idea of Australia's need to clearly define its place in the Asian region is not new. Successive Australian governments have used policies from the Colombo Plan to the Trans-Pacific Partnership to foster closer ties with Asia over the past 60 years. To date, however, efforts have often fallen short for a variety of reasons, among these a lack of strong, sustained and visionary political leadership to inform and drive a comprehensive engagement with the region.

This is not to say no progress has been made. Australia is certainly further down the path to engaging and identifying with the region than 30 years ago. The progress has however, by and large, been stuttering.

While much of the Australian business community awaits the release of the government's Australia in the Asian Century white paper due later this year, the Federal Budget offers a clear opportunity to the government to put some stakes in the ground on its policy responses to the Asian Century.

One particular area the Federal Budget should seek to address is Australia's 'Asian literacy deficit'; that is Australians generally have a poor understanding and familiarity with the Asian region. With Australia's current and future wellbeing so closely intertwined with the rest of Asia, addressing this 'Asian literacy deficit' is fundamental to Australia's success in the Asian Century.

While the policy response to the Asian Century has to focus on teaching Australians about Asia, we also need to maintain our supportive relationships, including the many effective foreign aid programs, with the region. These programs have fostered constructive relationships that have assisted the development of the region.

CPA Australia will be addressing the issues raised by the Asian Century in more depth in our response to the Australia in the Asian Century issues paper, and also via release of the findings of a significant research project we have commissioned that will examine Australia's future competitiveness. The results of this work will be released later this year.

The following are our recommendations on the Asian Century as they relate to the 2012-2013 appropriations period:

1.1 Improving Australia's understanding of Asia.

To improve Australia's understanding of Asia, we suggest the government fund the following in this appropriations period:

1.1.1 Investigate the introduction of compulsory Chinese language studies in schools

The Department of the Treasury has forecast that China will become the world's largest economy by about 2021. Given China's economic power, it is not a bold prediction to say that the Chinese language will begin to rival English in the next few generations as a language of business and social interaction. As a nation, we have a responsibility to prepare future Australians for this scenario. Our view is that steps need to be taken now to start adapting our education system so that at some point, all students should be leaving secondary school with not only exceptional English language skills but also fluency in Chinese.

We therefore recommend that the Federal and state and territory governments undertake a review of the implementation of compulsory Chinese language studies in all primary and secondary schools. Such a review should look at how to achieve successful implementation, when implementation can and should begin, the timeframe within which the objective of having all school leavers fluent in Chinese should be achieved and identifying the challenges of such implementation and how best to address such challenges.

Recommendation:

The Federal Government should in conjunction with state and territory governments, fund a review into making the study of the Chinese language compulsory in all Australian primary and secondary schools

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1.1.2 Integrate the study of Asian history, cultures, politics, religions and philosophies into the curriculum of all primary and secondary school students

Given Asian literacy will be an essential skill for future generations of Australians, it is important that all Australian students not only learn Chinese but they also learn the history, politics, cultures, religions and philosophies of Asia. Such topics should therefore be incorporated into the Australian Curriculum and teachers should receive support to increase their familiarity with these topics so that they can teach them effectively.

Recommendations:

- The study of Asian history, cultures, politics, religions and philosophies be taught to all primary and secondary school students
- The Federal Government should in conjunction with the state and territory governments, fund extensive teacher training in Asian subjects so they can better teach about Asia

1.1.3 Extend current Asian literacy programs in schools

CPA Australia is concerned that funding for the government's current Asian literacy program, the National Asian Languages and Studies in Schools Program (NALSSP) expires in June 2012, and to the best of our knowledge has not been renewed or replaced. If such funding is not renewed, any impetus the program may have built up over the last four years may be lost, at a time where we need to be leveraging such impetus.

Recommendation:

The Federal Government and the state and territory governments extend funding for the national program to enhance Asian literacy and increase the uptake of Asian languages amongst primary and secondary students, called the National Asian Languages and Studies in Schools Program (NALSSP).

1.1.4 Increase Asian literacy amongst Australian university students

Australia needs to put more resources into teaching Australians about Asia. We have to date been very successful in introducing Asian students to Australia since the 1950s, however with some exceptions, there has been little change in the number of Australian students going to Asia. To assist in significantly reducing Australia's Asian literacy deficit, the Federal government should fund a program of placing large numbers of Australian university students in Asian universities for at least a year as part of their Australian degree. The cost of such a program could be partially offset through HECS. Such a program will need to be extensively promoted to students.

Recommendation:

The Federal Government fund the annual placement of 10,000 to 15,000 Australian tertiary students into universities in Asia as part of their Australian degree, for at least one year, following an extensive promotion of the benefits of placements.

1.1.5 Improving the broader communities understanding of Asia

While students should be the dominant beneficiary of this focus on improving Asian literacy, the government should also consider how best to improve Asian literacy in the broader community. One idea is government funding of a free-to-air television channel dedicated to bringing news, culture, entertainment and business from the rest of Asia into Australian living rooms. This is similar to the Australia Network in Asia, but in reverse.

Recommendation:

The Federal Government fund a free to air television channel that is dedicated to programming from Asia, to expose more Australians to Asian news, politics, entertainment, cultures, societies etc.

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1.2 Maintaining and building upon our engagement with the region

We need to be conscious in our engagement with the region, and while the policy focus must shift to teaching Australians about Asia, we must maintain our supportive relationships with the region. The Federal Government should therefore coordinate existing efforts to identify the best students and future leaders in Asia and bring them to Australian universities to further their studies on scholarship.

Recommendation:

The Federal Government should coordinate a national program to identify and bring the best students and future leaders from Asia on scholarship to Australian universities.

1.3 Improve policy consideration on the Asian Century

It is important that Australian policy makers and the broader community receive high quality information and data on Asia to better inform policy-making in the Asian Century. One way to achieve this is through a dedicated Asian Century policy research centre located within government.

Recommendation:

The Federal Government establish a dedicated Asian Century policy research centre within government.

1.4 Assistance to business to take advantage of the Asian Century

CPA Australia believes there is a role for government to enable Australian businesses take advantage of the Asian Century. Our recommendations in this regard are below.

Recommendations:

- Fund the expansion of the Austrade presence in Asia
- Provide grants to businesses that wish to develop strategies to expand into Asia through AusIndustry
- Enable the National Broadband Network to assist businesses to take advantage of the Asian Century in the information, education and support provided to business on the NBN
- Fund exchange programs for small business between Australia and Asia.

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2. Productivity, business and investment

Background

There is now widespread evidence that while the Australian economy has enjoyed strong growth since the early 1990s, many sectors of the Australian economy are actually slowing down or struggling in tougher economic conditions.

While there are a number of factors contributing to this, including the high Australian dollar, it is Australia's poor productivity growth over the last decade that is the major factor. Poor productivity growth not only impacts the ability of Australian businesses to compete internationally, it also impacts their ability to compete with businesses in the Australian resources sector for capital and labour.

Australia's future economic prosperity is not assured. CPA Australia is of the view that if Australia is to maintain and enhance its high standards of living then economic and social policies that drive accelerated rates of productivity growth must be implemented. Such policies will strengthen and broaden the Australian economy so that it is better placed to manage future volatility in emerging Asian nations, and enable the economy to continue to grow strongly after the current mining boom ends and our terms of trade return to more 'normal' levels.

In summary, improving Australia's productivity is core to its social and economic wellbeing.

For CPA Australia, Australia's poor productivity performance and the current and future risks to Australian prosperity present a number of key policy considerations and reform options. The key policy areas are:

- tax reform
- regulatory reform
- savings policy reform
- infrastructure reform
- the knowledge economy
- workplace relations
- transparency and reporting.¹

In this regard, CPA Australia acknowledges that the Australian government has commenced or undertaken a number of initiatives that are critical to enhancing productivity, including:

- investing in its skills agenda
- reducing regulatory burden such as via the ongoing COAG regulatory reform agenda (including introducing the Standard Business Reporting initiative)
- improving infrastructure, such as the National Broadband Network rollout
- a number of tax changes, such as personal tax cuts, a lower corporate tax rate, and reducing effective marginal tax rates as part of the Clean Energy Future policy.

However, there is much more that needs to be done. While the last decade has been an excellent example that productivity growth is not essential to achieving economic growth, this is unsustainable. It is unlikely that the set of external factors that drove Australia's growth in the last decade, particularly emerging Asia pursuing growth based significantly on their export sector, will continue in the long-term. It is therefore incumbent on policymakers to pursue policies that improve the rate of Australia's productivity growth.

1 See cpaaustralia.com.au/cps/rde/xbcr/cpa-site/enhancing-australias-prosperity.pdf

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2.1 Tax reform

CPA Australia welcomed and participated in the Taxation Forum convened by the government in October 2011 to enable further consideration to be given to the major tax reform proposals canvassed in the Henry Tax Review's report, particularly those relating to the following major reform areas:

- personal tax reform
- business tax reform, and
- state tax reform.

2.1.1 Personal tax reform

As noted during the discussion of personal tax reform at the Tax Forum, personal income tax is the most important tax in Australia's tax regime as it generates more revenue than any other of the existing taxes and raised around half of federal tax revenues or \$140 billion in 2010/11.

While a range of views were expressed in respect to the existing personal income tax at the Tax Forum, our main concern with the existing personal income tax rate structure is that the top marginal tax rate raises only limited revenue but continues to generate:

- an unattractive comparative position in respect to other countries, especially countries from the region
- integrity issues via use of corporate and other entities by some taxpayers to avoid the existing top marginal rate, and
- disincentives to entrepreneurship as the taxpayer faces the prospect of being taxed at the current top marginal rate.

CPA Australia has welcomed the government's proposals announced in 2011 for modernising and improving the personal tax system via an increase in the tax free threshold from \$6,000 to \$18,200 combined with reduced reliance on the low income tax offset (LITO). This reform increases the efficiency and transparency of the personal tax system.

However, CPA Australia believes that further action should now be taken to reduce the current top marginal rate to 42 per cent in the short-term (consistent with an aspirational tax reform agenda) with consideration being given to a further reduction to 40 per cent at a later date in the light of prevailing budgetary conditions.

A reduction of the existing top personal marginal rate would also provide a positive stimulus to the economy, encouraging increased workforce participation and productivity as well as consumption and investment. More generally, such cuts would also represent a move towards the personal tax rate scales (0, 15, 35 and 40 per cent) as recommended in the Henry Tax Review report, which we strongly support.

Recommendation:

To provide a positive stimulus to the economy, encourage increased workforce participation and productivity, action should be taken now to reduce the current top marginal rate to 42 per cent in the short-term with consideration being given to a further reduction to 40% at a later date in the light of prevailing budgetary conditions.

2.1.2 Business tax reform

2.1.2.1 Company tax rate reduction

As previously indicated, in order to ensure the competitiveness of the existing business tax system, we believe that the company tax rate should be reduced in stages to 25 per cent consistent with a responsible fiscal policy as soon as practicable.

As noted by the Henry Tax Review (HTR) and in discussions on this topic at the Tax Forum, a reduction in the company tax rate would clearly facilitate further capital inflows into Australia and enhance the overall productivity of the Australian economy.

Recommendation:

To improve the competitiveness of the business tax system, facilitate further capital inflows into Australia and to enhance the overall productivity of the Australian economy CPA Australia recommends that the company tax rate should be reduced in stages to 25 per cent as soon as practicable.

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2.1.2.2 Reform of business tax losses

Following the Tax Forum, the Business Tax Working Group (BTWG) was formed to explore whether business tax losses could be reformed, especially for those businesses struggling in the patchwork economy.

The 'Interim report on the tax treatment of losses' of the BTWG was subsequently issued by the Treasurer for public comment on 11 December 2011.

Essentially, the report sets out four possible reform options for business losses which could be implemented either individually or in some combination. These four options comprise replacing the current continuity of ownership test (COT) and same business test (SBT) that apply to the carry forward of company tax losses with less restrictive integrity rules, allowing company tax losses to be refunded at their tax effected value in the year of loss, permitting company losses to be carried back and applied against prior year income and maintaining the real value of company tax losses by applying an uplift factor incorporating an appropriate rate of return.

CPA Australia is currently preparing a submission in relation to this report which will set out our preferred reform options which we believe must be both carefully targeted and affordable. In particular, we believe that any measures implemented must be principally directed to companies which would be regarded as small business entities under the current taxation law which are either in a start up phase or grappling with the challenging aftermath of the global financial crisis.

We acknowledge the government's request that any of the above reform measures canvassed will be need to be appropriately funded from the existing corporate tax base.

Given this constraint, CPA Australia makes the following suggestions as to how the corporate tax base could possibly be recalibrated to potentially fund these reforms:

- reduce the extent of, or remove completely, the cost base uplift under the Allocable Cost Amount (ACA) that arises under the existing income tax consolidation regime where there is a public takeover of a target company by a consolidated head company
- cut interest deductions under the thin capitalisation regime so that public companies and large closely held groups can only obtain interest deductions to the extent that they do not exceed a 2:1 debt/equity ratio under the safe harbour test
- rationalise the tax deductions available under the capital allowance regime by either reducing or removing accelerated tax depreciation for certain depreciating assets that have a statutory effective life (other than for those in the agricultural sector) and
- extend the deductibility period over which eligible black hole business capital expenditure can be amortised from 5 to 10 years.

Recommendation:

Any future reform of business tax losses should be targeted, affordable and not undermine the integrity of the corporate tax base. In particular, any such changes need to be directed at assisting small business entities. To fund such reform, certain existing tax concessions may need to be modified or removed.

2.1.2.3 Review of the transfer pricing regime

The former Assistant Treasurer announced on 1 November 2011 that the government will reform Australia's current transfer pricing regime so that it better reflects international best practice whilst improving the integrity and efficiency of the tax regime.

We believe it is timely to conduct a comprehensive review of Australia's existing transfer pricing rules given the dynamic manner in which cross border related party transactions have evolved since the enactment of Division 13 of the Income Tax Assessment Act (1936) (the ITAA (1936)) in 1982, and the issue of revised OECD guidance on such dealings over the past 25 years.

However, we believe that any material changes to the Australian transfer pricing regime must be carefully and methodically developed to ensure that robust rules are developed which are compatible with the OECD guidelines whilst ensuring that they do not inhibit Australia's long-term international competitiveness.

Accordingly, we do not believe that significant reforms to the transfer pricing regime should be fast tracked during the 2012-2013 year unless there is sufficient time for consultation on all relevant issues throughout the business community. This is of paramount

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importance given the magnitude of intra-firm international dealings which were reported as being over \$270 billion for the 2009 year by the Australian Bureau of Statistics.

Moreover, CPA Australia is steadfastly opposed to the proposal that amendments be backdated to 1 July 2004. If enacted, these amendments will provide the Australian Taxation Office (ATO) with an unlimited capacity to reactivate or initiate audit action on cross border related party dealings for up to 7 years on matters that taxpayers may well regard as having been finalised.

In this regard we do not consider the case has been made as to why such retrospective amendment is necessary, and it is essential that this is done. Where no clear rationale exists, such retrospective changes may potentially undermine the confidence of our key foreign trading partners and serve to create negative perceptions of Australia's sovereign risk.

Recommendation:

The proposed changes to Australia's transfer pricing regime should not be fast-tracked and enacted during the 2012-2013 year as it is essential that the business community be given sufficient opportunity to consider the practical impact of these landmark reforms. Moreover, we do not support the proposed retrospective clarification and application of the double tax treaties in the absence of any compelling business case.

2.1.2.4 State tax reform

We note that there was also broad general agreement at the 2011 Tax Forum on early moves to eliminate inefficient state taxes such as stamp duties on insurance and real property transfers. Options canvassed at the Forum to fund rationalisation of state taxes included appropriate action by the states via COAG to broaden their existing state land and pay-roll taxes together with some contribution by the Commonwealth via a lift in the existing GST rate. For example, see the CPA Australia commissioned research from KPMG Econtech on *The economic analysis of using GST to reform taxes*.²

While the Federal Government has made it quite clear that it does not favour any changes to the GST at this stage, we would strongly urge that it re-consider its position on this matter as the replacement of the existing inefficient state taxes by more efficient taxes would significantly strengthen the Australian economy.

Recommendation:

To help enhance Australia's overall productivity, and in the absence of any other plausible plan, CPA Australia encourages the government to reconsider its position on the issue of using the GST to help facilitate the replacement of the existing inefficient state taxes.

2.2 Regulatory Reform

CPA Australia believes that continuing to reduce regulatory burden remains a key factor in improving the productivity and competitiveness of the Australian economy. This position has wide support, for example, the OECD Secretary-General Angel Gurría has stated '*Australia needs to boost productivity to return to long-term sustained growth. An efficient regulatory system is a main step to achieve that goal.*'³

2.2.1 COAG regulatory reform agenda

The Council of Australian Governments (COAG) must complete the outstanding items on its current agenda of 27 deregulation areas. Any incomplete items need to be rolled over into the new deregulation agenda. Further, we recommend that completed reforms be subject to post-implementation reviews to determine whether they have been successful.

Given limited resources and political constraints, the focus of the next round of deregulation reforms should be on those areas that upon an evidenced-based assessment show that they can deliver the biggest improvements in productivity and better position Australia to take advantage of the Asian Century.

2 cpaaustralia.com.au/cps/rde/xbcr/cpa-site/kpmg-econtech-final.pdf

3 OECD press release *Australia should boost productivity through better regulation, says OECD* 15 February 2009 http://www.oecd.org/document/58/0,3746,en_2649_37421_44598138_1_1_1_37421,00.html

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Recommendations:

- Council of Australian Governments (COAG) must complete the outstanding items on its current deregulation agenda, and that incomplete items be rolled over into the new deregulation agenda
- completed reforms be subject to post-implementation reviews to determine whether they have been successful
- the next deregulation agenda should focus on those areas that can demonstrate they can deliver the biggest improvements in productivity and better position Australia to take advantage of the Asian Century

2.2.2 Improving local government regulation

Improving the current stock of local government regulation, reducing regulatory overlap and putting in place a mechanism to improve the quality of new local government regulations is essential to reducing Australia's regulatory burden. We note that the Productivity Commission is currently undertaking a review of the role of local governments in business regulation.

We recommend that the Federal Government consider offering reward payments to states and territories that develop and implement processes, guidance and resources that assist local governments to improve the current stock of regulations, reduce regulatory overlap and improve the quality of new regulation.

Recommendation:

The Federal Government consider offering reward payments to states and territories that develop and implement processes, guidance and resources that assist local governments to improve the current stock of regulations, reduce regulatory overlap and improve the quality of new regulation.

2.2.3 Benchmarking performance of deregulation agenda

We recommend that the Federal Government should, when benchmarking Australia's deregulatory performance against other jurisdictions, put greater weight into benchmarking Australia's deregulatory performance against non-OECD jurisdictions from the Asian region.

While we understand the bias amongst policy makers to benchmark against the OECD nations, as they are at similar stages of development and have similar political and economic structures, businesses do not have such bias. Businesses benchmark Australia's regulatory policies and reform agendas against other suitable investment destinations, which include non-OECD nations. In the Asian Century, businesses are going to more frequently compare Australia's performance to Asia and hence it is important for the Commonwealth and state governments to broaden the jurisdiction against which they benchmark their regulatory performance in the future.

Recommendation:

The Federal Government should, when benchmarking Australia's deregulatory performance against other jurisdictions, put greater weight into benchmarking Australia's deregulatory performance against non-OECD jurisdictions from the Asian region.

2.3 Savings policy reform

2.3.1 Superannuation and retirement savings

Many of the key economic and social challenges for Australia in the next 20 to 40 years will originate from the ageing of Australia's population, as outlined in the three Intergenerational Reports. One of these key challenges will be meeting the cost of living, aged care and health costs for an ageing population. It is important that we have a framework that encourages and enables individuals to save to fund their own retirement. Accordingly, CPA Australia is a strong supporter of Australia's retirement savings system and provided considerable input to both the Henry Tax Review and the Cooper Review into Australia's superannuation system.

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CPA Australia believes the Australian government's response to the Cooper Review will ultimately result in a more robust superannuation system, better protection of superannuation benefits and improved efficiencies, which will help boost retirement savings.

We also believe the measures announced by the government in response to the Henry Tax Review, particularly the increase in the compulsory Superannuation Guarantee to 12 per cent and the introduction of the government contribution for low income earners, will lead to a significant improvement in the adequacy of retirement savings for many Australians.

However, we do have serious concerns that the continuing inflexibility of the contribution caps, the punitive excess contribution tax penalties and the halving of the superannuation co-contribution announced in the 2011 Mid-Year Economic and Fiscal Outlook are undermining confidence in the superannuation system as a voluntary savings vehicle and there is little incentive, and growing disincentive, for middle-income earners to make additional contributions to superannuation.

Further initiatives and policy changes are required to ensure all Australians have the opportunity and encouragement to adequately save for their retirement. Despite the improvements announced by the government, the self-employed and people on the fringes, such as people out of the workforce or working in casual or part-time employment, may not have adequate opportunities or incentives to save.

The following sections outline measures that would remove the impediments to adequate retirement savings.

2.3.1.1 Superannuation contribution limits

CPA Australia recognises the need to properly target but limit the taxation concessions available within the superannuation system. While it is appropriate to limit the amount of money that can be contributed by or for an individual to the superannuation system on a concessional basis, we believe the current contribution caps, particularly the concessional contribution caps, are both confusing and inflexible. As a consequence they prevent many ordinary Australians from saving adequately through superannuation in order to maintain an appropriate standard of living in retirement. Further, the penalties for exceeding the caps are excessive compared to penalties in other areas.

While the halving of the concessional contribution cap from 1 July 2009 may have reduced some of the disproportionate tax concessions enjoyed by high income earners, it also reduced the ability of average Australians to adequately save for their own retirement.

Many people, particularly the self-employed, have 'lumpy' income and only contribute to their superannuation when times are good. Others, in their late forties or early fifties, having paid off the mortgage and paid for their children's' education, look to put the extra funds into their super to make up for previously inadequate contributions.

While aimed at limiting the concessions available to high income earners, over 30,000 people exceeded the contribution caps in both 2007-08 and 2008-09 and over 70,000 exceeded them in 2009-10 after the concessional contribution caps were halved. This suggests the impact is much greater than the policy change intended, capturing many middle income earners, and that the caps are simply too confusing for many people to understand and comply with.

Our members have provided numerous examples of their clients who have been unreasonably disadvantaged by the contribution caps or unfairly penalised for inadvertently breaching the caps. These examples include:

- A 55 year old teacher who has paid off the mortgage and was contributing extra to provide adequate retirement savings for himself and his wife who does not work. As a result of the halving of the cap he has had to delay his retirement date and they will retire with less than planned
- A widow in her late 60s with no savings outside of her superannuation wishing to boost her retirement savings at the last moment while she can still contribute but has been prevented from doing so by the lower cap
- A self-employed father of four in his late 40s on a high middle-income working long hours to try and get more money into superannuation and slow down in his fifties and spend more time with his family will now have to work longer to try to reach his retirement goals
- A 57 year old teacher diagnosed with cancer who will be forced to retire early due to her illness and wants to get as much into her superannuation as she can but has been prevented by the lower cap and was assessed for excess contributions tax after mistakenly breaching the cap last year. She fears she will struggle financially when she retires, and

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- Senior university lecturers earning more than \$147,000, whose employers are contractually obligated to contribute 17% of their salary to their superannuation are unable to avoid excess contributions tax on their concessional contributions.

While measures have been announced to improve the operation of the caps and reduce the negative impact, these measures themselves have serious shortcomings. The proposed refund of excess concessional contributions will be quite limited and inflexible due to its one-off ‘use it or lose it’ nature and its complexity will merely add to the confusion surrounding the contribution caps. Similarly, while the higher concessional cap for over 50s will provide some relief, the \$500,000 balance threshold will be complex and costly to administer and, we believe, unworkable.

CPA Australia believes the contribution limits are too low and inflexible and need to be restored to their original limits. We also believe the government should consider the introduction of a ‘lifetime’ concessional contribution cap whereby any ‘unused’ contribution limit, i.e. the amount above the actual contribution made in one year could be accumulated and added to the limit in later years. At the very least, a rolling cap similar to the ‘bring forward’ rule for non-concessional contributions cap should be considered.

Recommendations:

- Concessional contribution caps be restored to their original levels, and
- A ‘lifetime’ or rolling concessional contribution limit be introduced

2.3.1.2 Abolishing the minimum Superannuation Guarantee (SG) threshold

The superannuation guarantee earnings threshold of \$450 per month was introduced when SG commenced at a level of three per cent of salary. Since then the SG level has increased to 9 per cent and the workforce has become increasingly casualised.

With the proposed increase of the SG to 12 per cent, more people are at risk of being excluded from the SG system and not having access to adequate retirement savings. For example, an individual working two or three casual jobs, each earning just under the \$450 threshold each month, could be missing out on SG contributions of \$800 to \$1200 each year.

To boost retirement savings, particularly for people with intermittent or casual work patterns, we recommend the SG threshold be abolished. However, we also recognise the administrative burden that may be experienced by employers when meeting their SG and choice of fund obligations for casual or itinerant employees. As such, we would be supportive of any exclusion for one-off or short-term employment situations. One solution would be for employers to only be permitted to apply the \$450 threshold once for a single month for an individual employee. That is, it would generally only be utilised in their first month of employment after which if their employment continues, SG should be paid.

Recommendation:

The SG earnings threshold of \$450 per month to be replaced with a one month only threshold of \$450.

2.3.1.3 Abolishing the upper age limit for superannuation contributions

CPA Australia strongly supports the government’s proposed removal of the upper age limit for the payment of SG contributions contained in the Superannuation Guarantee (Administration) Amendment Bill 2011. We believe this will provide a timely boost to the retirement savings of older workers who continue in, or move into and out of the workforce after traditional retirement age, allowing them to add to their superannuation while they are working. This greater flexibility may also encourage greater workforce participation by older Australians.

However, we are concerned about the inconsistencies and inequities that still exist in that older Australians cannot make other non-SG contributions to superannuation after age 75 even if they are still working. Given the shortfall in retirement savings for people close to or in retirement now, who haven’t enjoyed a full working life of SG contributions, there is no reason why older Australians should not be able to continue building their superannuation, irrespective of the contribution type, while they continue in the workforce. As such, we suggest this measure be extended to remove the upper age limit for all contribution types, subject to the work test being satisfied, by making necessary amendments to the Superannuation Industry (Supervision) regulation 7.04(1). Similarly, the age limits for the deductibility of employer contributions should also be removed.

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Recommendation:

Abolish the upper age limit for all superannuation contributions.

2.3.1.4 Extend deductibility of superannuation contributions

The contribution caps, particularly the concessional contribution cap, provides the opportunity to remove the inequities that exist around the application of the '10 per cent rule' for claiming a tax deduction for superannuation contributions.

Employment arrangements have become more flexible with many people employed under casual or contracting arrangements. Those who consider themselves largely self-employed have found they may have lost their eligibility to claim a deduction for superannuation contributions after taking on relatively small consulting or contracting roles. There is often a 'double whammy' effect in that these contracting roles will only pay SG contributions and there is no provision for the contractor to make voluntary or salary sacrifice contributions. The result is individuals may end up with minimal superannuation coverage since they do not have any more than SG coverage from their employment, and they are not able to claim a deduction for their own contributions. These individuals are at a distinct disadvantage compared to those who are full-time employees or full-time self-employed.

Abolishing the '10 per cent rule' would also allow employees to claim a deduction for their personal superannuation contributions. However, with full deductibility being given to personal contributions, there would essentially be no difference between the treatment of employer, salary sacrifice and personal deductible (i.e. self employed) contributions, and therefore no rationale as to why such deductibility is not permitted.

The current \$25,000 annual limit on concessional contributions would control the concessions available and there would be no benefit in exceeding the limit as excessive contributions would be taxed at the top marginal tax rate.

Allowing deductibility for personal contributions would benefit those employees whose employers limit or do not provide for salary sacrifice contributions.

Abolishing the '10 per cent rule' would create a level playing field whereby all superannuants would have the same access to concessional contributions and the same flexibility to decide whether their voluntary contributions should be made from before or after tax income. The limits on concessional and non-concessional contributions would ensure everyone receives the same tax concessions. Such a move would be another important step in ensuring equity and simplifying the superannuation system.

Recommendation:

Abolish the '10 per cent rule' for the deductibility of superannuation contributions to provide greater incentive and flexibility to people who have to make their own superannuation provisions.

2.3.1.5 Restoring the superannuation co-contribution scheme

The superannuation co-contribution has been a great success according to both government reports and anecdotal evidence from superannuation funds. Not only has it provided a much needed incentive for middle-income earners, it has encouraged low income earners to make voluntary contributions to their superannuation. An additional contribution of only \$20 a week allowed them to significantly boost their retirement savings.

As such, the government's announcement in the 2011 Mid-Year Economic and Fiscal Outlook that the maximum co-contribution will be halved from 1 July 2012 is a disappointing retrograde step. While the low income superannuation contribution (LISC) may provide a better targeted tax concession to low income earners who do not make voluntary contributions, low income earners who previously made voluntary superannuation contributions will be no better off as the LISC will be negated by the reduced co-contribution and their retirement savings may be worse off if they are discouraged from making additional contributions to their superannuation. Further, middle income earners will have less incentive to make additional contributions as they do not receive the tax concessions available to the low income earners nor do they get the same tax effectiveness through salary sacrifice that is available to high income earners.

To ensure valuable incentives to encourage low and middle income earners to make additional contributions to superannuation are not lost we recommend the co-contribution is restored to its previous level.

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Recommendation:

Restore the superannuation co-contribution to its previous level.

2.3.1.6 Equitable taxation treatment of superannuation death benefits

Despite the simplified superannuation changes having simplified key aspects of the superannuation system, there still remain particular areas of complexity and inequity that need to be addressed before superannuation can truly be considered simple. In particular, the tax treatment of superannuation death benefits.

CPA Australia believes the tax treatment of all superannuation death benefits should be consistent for dependants and non-dependants.

The payment of death benefits to dependants after 30 June 2007 are tax free (with the exception of income streams to dependants under age 60), while the taxable component of death benefits paid to non-dependants is taxed at 15 per cent.

This provides arbitrage opportunities. For example, an individual knowing they are going to die will be able to take their superannuation benefit as a lump sum and pass it on to their adult children tax-free. On the other hand, where death is sudden and unforeseen, the benefit may still be paid to the adult children but it would be taxed at 15 per cent.

Strategies are also being promoted in the market to minimise this tax treatment. For example, re-contribution strategies where the taxable component is withdrawn over time and re-contributed as an undeducted contribution, effectively reducing the taxable component to nil. Or separating the taxable and tax-free components into separate superannuation funds with the tax-free component payable to the non-dependant/s on death and the taxable component to the dependants. These strategies create inequities within the system as the people with the knowledge and ability to seek out advice will benefit, while those who need it the most may miss out.

CPA Australia believes the tax treatment of superannuation death benefits needs to be reviewed in a holistic manner to ensure consistent and equitable treatment of payments to dependants and non-dependants alike.

In particular:

- The taxation of all superannuation death benefits should be consistent, i.e. tax free
- The current inconsistencies between the definitions of 'dependant' in the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Income Tax Assessment Act 1936 (ITAA 1936) be removed by aligning the definition of 'child' in the *ITAA 1936* with that in the SIS Act
- The appropriateness and utilisation of 'anti-detriment' payments be reconsidered
- The final payment of an income stream upon death to be treated as an income stream payment not a lump sum.

Recommendation:

The tax treatment of superannuation death benefits to be reviewed to ensure consistent and equitable treatment of payments to dependants and non-dependants alike.

Specifically,

- The taxation of all superannuation death benefits should be consistent, i.e. tax free
- The current inconsistencies between the definitions of 'dependant' in the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Income Tax Assessment Act 1936 (ITAA 1936) be removed by aligning the definition of 'child' in the *ITAA 1936* with that in the SIS Act
- The appropriateness and utilisation of 'anti-detriment' payments be reconsidered
- The final payment of an income stream upon death to be treated as an income stream payment not a lump sum.

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2.4 Improving the financial literacy of consumers

Financial literacy remains a national problem with many Australians lacking an understanding of basic financial concepts. However, improved financial literacy can increase economic participation and social inclusion, drive competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

The Australian Securities and Investments Commission (ASIC), at the request of the government, has prepared a National Financial Literacy Strategy which has been endorsed by the government's Financial Literacy Board. One of the four core elements of the strategy is to provide Australians with trusted and independent information, tools and ongoing support. ASIC's key initiative in this area is the development of a new consumer website, MoneySmart (www.moneysmart.gov.au).

CPA Australia remains supportive of measures that not only promote the importance of financial literacy, but offers practical, easy to follow advice to consumers on how this can be achieved. We also acknowledge ASIC's recent achievements in this regard with the MoneySmart website being named 'Best government Website' at the 2011 Australian Web Awards. However, it is questionable whether the information and resources that MoneySmart has to offer is in fact reaching the vast majority of consumers.

In November 2011, ASIC released a research report titled 'Awareness and Usage of MoneySmart website'. While the report found that overall visitation to the website is 5 per cent of the total internet population, almost two in five users of the website consider that the website is trying to sell them something.

Further, while ASIC is employing social media channels such as Facebook, Twitter and YouTube to engage consumers and investors, the same research found that only 8 per cent of those who visited the website were over aged 55 and over.

ASIC must take a more proactive and direct approach to their financial literacy communication strategies to ensure their resources and information reach as many investors and potential investors as possible. The approach must also ensure consumers understand the purpose of the MoneySmart website is to help people make informed choices about their personal finances through offering free, independent guidance – not sell them something.

This is consistent with Recommendation 11 of the Parliamentary Joint Committee on Corporations and Financial Services inquiry into financial products and services in Australia (the Ripoll Inquiry), which states:

'The committee recommends that ASIC develop and deliver more effective education activities targeted to groups in the community who are likely to be seeking financial advice for the first time.'

Any campaigns that promote the MoneySmart website should also be monitored to measure whether they have actually raised awareness of MoneySmart.

Recommendation:

The government adopt Recommendation 11 of the Ripoll Inquiry and fund ASIC to undertake a marketing campaign to promote the MoneySmart website as the first stop for investors and potential investors. To ensure the effectiveness of such a campaign, an annual benchmarking process be implemented to track the awareness and usefulness of the MoneySmart website.

2.5 Infrastructure reform

The so-called 10-year infrastructure deficit needs to be addressed if productivity is to be improved. CPA Australia acknowledges the work in the pipeline. But given cities remain Australia's principal centres of economic activity, accounting for about 80 per cent of GDP and employing three out of every four Australians, more must be done to address congestion and its impact on productivity. CPA Australia's 2010 member poll rated fixing public transport as the most important area of infrastructure reform.

To enhance productivity, CPA Australia strongly supports investment in long-term infrastructure projects, particularly in respect to:

- rail, roads and port infrastructure
- more efficient and user friendly public transport
- large-scale building programs in hospitals, universities and TAFEs
- expansion of Australia's broadband capacity

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2.5.1 Funding of Australia's infrastructure projects

In relation to funding of major infrastructure projects, we note that the government has indicated that some of the proceeds from the issuance of Federal Government Securities may be used to finance the government's investment in the National Broadband Network, and that such securities would be reported as Aussie Infrastructure Bonds (AIB). CPA Australia is of the view that the government should consider using AIBs to assist funding of other infrastructure projects and also consider allowing state governments to access funds raised from the issuance of AIBs.

However, a potential deterrent to the flow of such funding is the current tax arrangements applicable to infrastructure returns, particularly income arising from debt rather than equity. This current problem could be ameliorated by a move to a 40 or 50 per cent discount for such income as proposed by the Henry Tax Review. While this would have budgetary implications which would need to be considered, this could be offset by the expected longer term benefits to productivity from the earlier delivery of major new infrastructure projects.

Other potential measures to make AIBs attractive to potential investors include issuing AIBs as inflation-linked bonds or providing a higher rate of return on AIBs than other Federal Government Securities.

Recommendation:

The government consider the following measures to make long-term investment in major infrastructure projects attractive:

- provide a 40 or 50 per cent savings income discount on income received from investments in such projects
- issue AIBs to help fund a broader range of major infrastructure projects (not just the National Broadband Network)
- making the AIBs inflation-linked, ensuring higher returns than comparable financial products.

2.6 Other productivity, business and investment recommendations

2.6.1 Encouraging entrepreneurship

Regarding the Australian economy, *The Economist* recently observed '... it could do more to develop the sort of open, dynamic and creative society that California has epitomised, drawing waves of energetic immigrants not just from other parts of America but from all over the world. Such societies, the ones in which young and enterprising people want to live, cannot be conjured up overnight by a single agent, least of all by government. They are created by the alchemy of artists, entrepreneurs, philanthropists, civic institutions and governments coming together in the right combination at the right moment. And for Australia, economically strong as never before, this is surely such a moment.'⁴

One way to begin developing a dynamic and creative society is for the government to provide funding to establish and run industry specific business start-up incubators. While there are a number of private sector IT specific start-up incubators, such a concept could be applied to other industries, especially creative industries where collaboration is important in the development of ideas. Examples of other industries include industrial design, graphic design, fashion design, film and television, games development etc.

Recommendation:

The Federal Government fund the establishment of industry specific incubators for start-up business in creative industries such as industrial design, graphic design, fashion design, film and television, and games development.

2.6.2 Re-prioritising complementary climate change policy measures

CPA Australia believes that the Australian government should consider a package of policy responses to climate change, not just a carbon price, to assist Australia meet its greenhouse gas emission reduction target and assist in boosting Australia's productivity growth.

4 See Australia's promise – The next Golden State; <http://www.economist.com/node/18744197>

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We acknowledge that the government's *Clean Energy Plan* has a number of complementary measures, but we believe that the government should re-prioritise its spending away from these complementary measures and other previously announced complementary measures, towards measures that achieve the most significant benefit (in terms of emissions reduction) for the least cost and address market failures of a carbon price. In particular, we believe that the *Clean Energy Plan* should reprioritise spending towards market-based innovation policies, such as an enlarged research and development tax credit, as a means of encouraging innovation in new low-emission technology and encourage the early commercialisation and adoption of such technology.

As Professor Garnaut noted in his seventh paper of his 2011 report, '*Many studies find that either innovation policy or carbon pricing on its own is unlikely to yield outcomes that are as good as a combined package that balances both elements.*'

For innovation policies to achieve their optimal outcomes, it should be the market and not governments that pick preferred low-emissions technology. As Professor Garnaut states '*government is never well placed to determine which technology is going to be worthy of such patronage*'.

We therefore recommend the government re-prioritise its existing and planned spending on complementary measures towards a premium Research and Development tax credit for R&D into low emissions technology. This could be delivered through a 60 per cent tax credit (fully refundable), administered under the existing R&D tax credit regime. Such a policy is likely to yield a greater return to society, both in terms of reduced emissions for the least cost and productivity gains. The recommendation should also be of little additional cost to the revenue (due to re-prioritising of existing expenditure and how the feedstock provisions in the R&D Tax Credit work).

Recommendation:

The Federal Government should re-prioritise its existing and planned spending on complementary measures towards a premium Research and Development tax credit for R&D into low emissions technology. This could be delivered through a 60 per cent tax credit (fully refundable), administered under the existing R&D tax credit regime.

2.6.3 Capacity building tools for small business

CPA Australia supports the announcement in the *Clean Energy Plan* of funding for a campaign to assist business and community organisations with the introduction of the carbon pricing mechanism. Such funding should assist small business to build its capacity to respond to a carbon price, changing consumer sentiment and supply chain pressure.

We recommend that part of that funding be allocated to the development of schedules that give businesses (non-liable entities under a carbon price mechanism and non *National Greenhouse Energy Reporting* entities) an accepted estimate of greenhouse gas emissions that each of their different items of plant and equipment emit.

Such estimates would be based on an agreed emissions figure that the average use of such plant and equipment would generate. Businesses would, therefore, need only to consult these schedules to determine the accepted emissions from the plant and equipment they use, rather than having to determine emissions using complex calculations. An example of a similar product is the effective life of assets schedules produced by the Australian Taxation Office. These tables give the accepted effective life of an asset where a taxpayer does not want to self-assess.

Recommendation:

The Federal Government develop comprehensive schedules that articulate single quantitative measures of emissions for specific items of plant and equipment, for use by businesses that are not reporting entities under the National Greenhouse and Energy Reporting Act 2007.

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3. Regulation, standard setting and the profession

3.1 Regulation of tax advice provided by financial planners

In 2011, the Australian government announced the key elements of the regulatory oversight arrangements which will implement the application of the Tax Agents Services regime (TAS regime) to financial planners that provide tax advice.

The model will see, as far as practicable, financial planners interact with ASIC in relation to financial planning services, with ASIC and the Tax Practitioners Board (TPB) collaborating closely. This is a practical outcome, given the policy objective of the TAS regime is to provide a single regulatory regime dealing with all aspects of taxation advice and to further enhance the consumer protection measures.

Financial planners who provide tax advice within the context of financial planning advice will be required to register with the TPB, through ASIC. Further, the TPB will also be responsible for dealing with tax-specific complaints, complex matters referred by ASIC, competencies, recognition and investigations.

It is important to ensure that the TPB be provided with appropriate resources so that it can adequately address all relevant communication and implementation issues associated with bringing financial planners under the scope of the TAS regime.

Recommendation:

The Tax Practitioners' Board receive appropriate funding to ensure that it can suitably address all communication and implementation issues associated with financial planners being regulated under the Tax Agent Services Regime by the TPB.

3.2 Funding for Australian Securities and Investments Commission (ASIC)

A strong regulator is critical to fostering confidence within capital markets, a fair and level platform for commerce and protecting individuals and organisations participating in the economy. We also note the importance of a regulator with strong oversight of the audit and accounting functions in our economy.

Current economic uncertainty, which heightens the need for ASIC to be proactive in their oversight, alongside a number of additional functions that will be adopted by ASIC in the coming year, mean that the activities and resourcing needs of that agency could be expected to increase.

We note ASIC's adoption of registration and oversight of self-managed superannuation funds auditors, with approximately 11,000 auditors scheduled for registration in 2012. ASIC has also recently announced its intention to introduce regulation to improve disclosure by superannuation funds during 2012.

Recommendation:

ASIC has appropriate funding to ensure it can be effective and proactive in regulating the capital markets and the financial advice industry in this period of economic uncertainty and be able to undertake the additional functions and activities it has been given responsibility of implementing in 2012.

3.3 Company Auditors and Liquidators Disciplinary Board (CALDB) and Financial Reporting Panel (FRP)

Significant professional judgement is involved in decisions on audit and accounting matters. For this reason, it is very important that an independent group of expert peers is available to consider such matters.

The CALDB and FRP currently serve this function. We understand that the necessity of these two bodies has been under consideration as a result of other policy developments and the low number of matters that have been heard by them over recent years. However, we are of the opinion that the necessity of these bodies remains regardless of the number of cases that have been heard.

Recommendation:

The government continue to fund the CALDB and FRP, or an alternative body.

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3.4 Funding of the International Accounting Standards Board (IASB)

CPA Australia considers it desirable that the IASB be financially independent of the 'Big 4' international accounting firms and the Large National Network Firms (LNNF are the firms a tier below the Big 4) as a means of enhancing public confidence in the independence of accounting standard setting. The accounting standards of the IASB are adopted and issued by the Australian Accounting Standards Board (AASB) for application in Australia as legislative instruments.

Currently, the Big 4 and LNNF contribute about 26 per cent of funds to the IASB. More than 100 countries now require or permit the use of International Financial Reporting Standards (IFRS) or are converging with IFRS. CPA Australia considers it appropriate that the funding burden should be shared by those countries on a proportionate basis, using gross domestic product as the key determining factor of funding.

Recommendation:

The government supports the proposal that the International Accounting Standards Board is appropriately funded by the governments of those countries that have adopted the standards of the IASB.

3.5 Duplication between Australia and New Zealand standard-setting bodies

CPA Australia calls for the Australian and New Zealand governments to establish a single body to set accounting standards for both countries and a single body to set auditing and assurance standards for both countries. The duplication between the bodies currently operating in each country dilutes the technical experience in accounting and auditing — an outcome not consistent with delivering enhanced quality in and reduction of regulation.

Further, the convergence towards international standards by both countries and the broader commitment to the concept of a single economic market provides a sound basis for the creation of single Trans-Tasman standard-setting bodies.

Ongoing developments in New Zealand are bringing the respective Trans-Tasman audit and accounting legislative and regulatory frameworks closer into line, further enhancing the feasibility of this proposal. The Productivity Commission's *Annual Review of Regulatory Burdens on Business: Business and Consumer Services August 2010*, recognised that in principle there could be some merit in creation of single Trans-Tasman standard-setting bodies and there are likely to be some efficiencies and cost savings associated with merging the boards. However the Commission also stated there could be some disadvantages, including issues around a loss of sovereignty. The Commission concluded that it had not been presented with strong evidence of likely net benefits that would justify a move to Trans-Tasman standard-setting bodies.

Recommendation:

CPA Australia recommends that the Department of the Treasury be provided with funding to investigate the likely net benefits that would come from the creation of single Trans-Tasman standard-setting bodies — one responsible for accounting standards and the other, auditing and assurance standards.

3.6 Phase 2 of National Credit Reform

CPA Australia strongly supports the national regulation of consumer credit under phase one of those reforms. While we are supportive of most of the proposed extension to this regime under phase two, we remain very concerned over the possible extension of the national credit regime to the provision of small business credit.

We have not been able to identify any mischief in the provision of small business credit that requires a regulatory response. Further, we are concerned that the regulation of small business credit will have unintended consequences, in particular restricting small business access to independent credit advice and negatively affecting small business access to finance. We note that this issue is currently subject to consultation.

Recommendation:

The Federal Government state that the consumer credit regime will not be extended to the provision of small business credit.

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4. Better business practices

4.1 Governance

While there is no agreement on the exact relationship between governance and economic growth, there is agreement that good governance is associated with transparency and accountability creating a virtuous cycle that leads to increased prosperity, social capital and welfare. Lack of good governance on the other hand is usually partnered with corruption to create a vicious cycle of economic decline, political and social instability, and human suffering.

The improvement of governance in the region is an issue that Australia has to actively address and continue its efforts to promote. We support efforts made by AusAID to improve governance at the government level but governance improvements are required in the business sectors as well. Lack of good governance and the associated corruption are not sector specific since there are no institutions or entities, public or private, that function in isolation.

While incremental improvements are being made in corporate governance in the region, many companies fail to achieve standards of governance that would provide sufficient assurance about the level of risk to foreign investors. The increasing economic liberalisation in the region in the absence of a strong governance infrastructure has created a governance vacuum. Australia can play a leading role not only in the provision of aid to improve public sector governance as it has been doing through AusAID but also in assisting countries in the region to further develop their corporate governance frameworks.

In order to do this Australia has to ensure that it has its own house in order. The proposed changes to the facilitation payments defence is a positive step supported by CPA Australia. It is however of interest that the Australian foreign bribery legislation has remained untested for 11 years.

Given the importance of governance in economic growth and productivity, the government should provide adequate funding to the Australian Federal Police and ASIC to investigate any allegations of improper conduct by Australian entities. The Australian Trade Commission should also develop a more active role in addressing governance issues and help entities to ensure appropriate behaviour in the region. Funding and support to assist the development of corporate governance systems and processes in the region is also something the government should consider.

Recommendation:

- The government should provide adequate funding to the Australian Federal Police and ASIC to investigate any allegations of improper conduct by Australian entities
- The Australian Trade Commission should develop a more active role in addressing governance issues and help Australian entities in the region behave appropriately
- The government provide funding and support to assist the development of corporate governance systems and processes in the region.

4.2 Small business access to finance

Our *CPA Australia Asia-Pacific Small Business Survey 2011* and our round table discussions on small business access to finance highlight that access to finance remains a real issue for many small business. Many respondents to our survey indicated that they expect lending conditions to remain difficult in 2012.

According to our survey results, the predominant reason why Australian small businesses considered accessing finance difficult was difficulty in finding a lender willing to provide funding to their industry. This issue was also raised in our round table discussions. While it is understandable that banks may have to rebalance their lending portfolios for prudential and risk reasons, better communication with borrowers and potential borrowers about which industries they will not lend to, may reduce this as an issue. This also highlights the 'one-size fits all' approach of banks, where they take a decision not to lend to particular industries, denying funding even to good businesses in an industry.

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Members and businesses continue to inform us that better communication from their bank and more certainty in their banking relationship are critical issues. We therefore continue to encourage the government to support Recommendation 6 of the Senate Economics References Committee report into the Access of Small Business to Finance being, *'The Committee recommends that the Australian Bankers' Association meet with small business representatives to develop a code of practice for lending to small business'* and a similar but more focused Recommendation 3 of the Parliamentary Joint Committee on Corporations and Financial Services *Access of Small to Medium Business to Finance* report.

CPA Australia remains of the opinion that there exists gaps in the current Australian Bankers' Association's Code of Banking Practice in relation to small business (particularly in comparison to similar codes in Canada and the UK) that could be corrected by an expansion of the Code or in a separate code of practice. Such a move would provide the framework for banks to provide more certainty in their relationships with small business.

The importance of improving the relationship between lenders and business is a critical economic issue given the significant reliance small business has on bank financing.

Recommendation:

CPA Australia recommends that the government support Recommendation 6 of the Senate Economics References Committee report titled Access of Small Business to Finance, being that the Australian Bankers' Association meet with small business representatives to develop a code of practice for lending to small business.

4.2.1 Improving financial management

Given the continuation of tight lending conditions, it may be better practice for many businesses to increase funding of business operations from their own profit and cash reserves. To achieve this, many small businesses need to significantly improve their financial management skills. Governments, lenders, industry associations and accountants all have a role in assisting small business improve such skills. Improved financial management also enhances the prospect of a small business being successful in seeking external finance, should they need such finance.

Recommendation:

The government work with lenders, industry associations and accountants to develop and distribute information and education products and provide subsidised training to improve the financial management skills of small business.

4.2.2 Alternate forms of financing

Our survey also asked what types of business financing the business had used. Australian small businesses are very unlikely to consider working capital financing (vendor, debtor and inventory financing); instead they heavily rely on credit cards and to a lesser extent, overdrafts, even where such financing may not be appropriate. We suggests that government, lenders, industry associations and accountants all have a role to play in increasing small business awareness of working capital financing options, including when they may be a suitable financing option. Such awareness is key to the uptake of these forms of financing.

Recommendation:

The government work with lenders, industry associations and accountants to develop and distribute information and education products that:

- increase small business awareness of different forms of financing
- when such forms of financing may be a suitable financing option
- how and where to apply for such financing.

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4.3 Integrated reporting

4.3.1 Corporate law reform

CPA Australia acknowledges, with approval, two reviews currently in hand with the Corporations and Markets Advisory Committee (CAMAC). CAMAC is highly regarded throughout the business community as the pre-eminent body vested with the examination of corporate law reform.

The two reviews — Annual General Meeting and Managed Investment Schemes — have significant economic and regulatory implications. Across 2009–10, CAMAC produced two significant reports which were broadly principle based addressing fundamental attributes of corporate governance, and thus, do not directly elicit legislative response. This span of activities is clear affirmation of the critical and targeted role performed by this agency.

Recommendation:

It is vital that there be continuity of appropriate funding and resourcing of CAMAC as part of ensuring that Australian corporate regulation maintains world best practice standards.

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5. Integrated reporting frameworks

One of the most significant recent developments in the realm of corporate reporting is the establishment of the International Integrated Reporting Committee (IIRC). The IIRC has now been formally constituted as a Council. The IIRC is a collaborative initiative of the Amsterdam based Global Reporting Initiative (GRI) and the Prince of Wales Accounting for Sustainability Project. The IIRC involves the participation of such significant groups as: the United Nations (UN) Environment Program, the UN Global Compact, the International Accounting Standards Board, the Financial Accounting Standards Board, the International Federation of Accountants, the World Resources Institute, the Climate Disclosure Standards Board and the International Organisation of Securities Commissions. Each of the 'Big 4' international accounting firms are also involved, as well as the major professional accounting bodies, including those based in Australia.

The IIRC in September 2011 released a discussion paper 'Towards Integrated Reporting – Communicating Value in the 21st Century'. By December the IIRC had received in excess of 200 submissions from across the world and there has been established a pilot programme, in which a number of Australian companies are participating. These actions are ahead of the release in 2012 of an exposure draft which will articulate the concepts and objectives of integrated reporting as the central component.

A significant number of Australian groups representative of the accounting profession and accounting practice, including CPA Australia, are involved in the integrated reporting development. CPA Australia acknowledges and commends the announcement in June 2011 of the provision of funds to the GRI Focal Point Australia (hosted at St. James Ethics Centre) to, in part, explore and promote in Australia development of integrated reporting. However, CPA Australia sees merit in a coordinated Australian approach as most beneficial in the promulgation of international developments of this nature. CPA Australia believes this task to be within the remit of the Financial Reporting Council as laid out in section 225 of the Australian Securities and Investments Commission Act 2001, and further, recommends that appropriate additional funding be provided to the Australian Accounting Standards Board (AASB) to cover this major development. By this means, Australia's capacity to be at the forefront of a key international development affecting the future of corporate disclosure is better assured.

Recommendation:

CPA Australia recommends the Australian government, through the Treasury, actively pursue developments in integrated reporting. Further, that appropriate funding be provided to key agencies, such as the AASB, to pursue this major development.

5.1 Sustainability

5.1.1 Leading by example

CPA Australia welcomes the Australian government's commitment to lead by example on sustainability. With this commitment, we recommend that the government and its agencies should undertake planning to prepare sustainability reports in line with the forthcoming release in 2013 of G4 guidelines issued by the GRI. The sustainability reports should form part of the annual reports by government agencies to the Commonwealth Parliament. Over time, government agencies should be preparing integrated reports, incorporating a more complete and comprehensive set of disclosures, including sustainability issues.

A significant benefit to the economy of government agencies preparing sustainability reports is that this would, over time, significantly enhance the capacity of the Australian workforce to prepare sustainability reports, and hence integrated reporting, which will eventually benefit the broader business community.

Recommendation:

Government agencies should be required to prepare sustainability reports and incorporate such reports in their annual reports to the Commonwealth Parliament. Such sustainability reports should be prepared in accordance with the GRI G3.0 guidelines.

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5.1.2 State of the Environment (SoE) reporting

The government's Intergenerational Report 2010 provides a major platform for assessing the fiscal and economic challenges that Australia will face over the next forty years, that will arise in such fundamental areas as population aging, infrastructure, health and climate change. Significantly, two chapters are devoted to issues of sustainability—Chapter five 'Climate change and the environment' and Chapter six 'A sustainable society'. In the latter of these (at p.86), the following astute remark is made:

'To measure sustainability, indicators are needed that tell us about the qualitative and quantitative changes in the various 'stock' that matter for future wellbeing. The different perspectives people and societies have on wellbeing will result in different assessments as to whether wellbeing has improved over time.'

This reference to measurement is presented in the Intergenerational Report 2010 around the concept that society inherits a stock of capital, including environmental capital, which we bequeath to future generations either depleted, enhanced, or in some other way altered, through our current capabilities and choices.

The absence of well developed and accepted measures of the value of the environment is a universal problem, the redressing of which will focus on the critical attributes of natural asset management in terms of depletion and preservation trade-offs, particularly as they operate at an intergenerational level.

As an important component in this development, CPA Australia would like to direct attention to the work which has recently been undertaken by the European based Economics of Ecosystems and Biodiversity (TEEB) project. The ongoing outputs of this project, including TEEB for National and International Policy Makers and their Synthesis report November 2010, we suggest, could form a highly beneficial component in supporting the government's SoE reporting under the five year cycle provided for in section 516B of the Environment Protection and Biodiversity Conservation Act 1999.

Recommendation:

CPA Australia recommends that the Department of Sustainability, Environment, Water Population and Communities be provided with short term funding to investigate the suitability of TEEB as a component in the development of current and future cycles of SoE reporting, and as a basis for assisting related environmental policy development.

5.1.3 Education in sustainability

In 2009 the then Department of the Environment, Water, Heritage and the Arts released a report Living Sustainably – The Australian government's National Action Plan for Education for Sustainability. A key plank of this report was the announcement of a clear intention to address education for sustainability in the key professions. Subsequent to this, the Australian Research Institute in Education for Sustainability (ARIES) located at Macquarie University was commissioned and produced (in March 2010) a final report Sustainability in key professions: Accounting.

CPA Australia has been the major professional body contributor to this comprehensive study of the state of sustainability education across the full spectrum of professional accounting education. The study identifies a number of strategies for bridging the evident gap between content in under-graduate university courses and that which is offered by the professional accounting bodies as part of licentiate and continuing professional education — much of this is around understanding how best to embed concepts of sustainability into the curriculum and the manner of delivery.

In 2011 the New South Wales government through the Office of Environment & Heritage awarded in excess of two million dollars to development energy efficiency training programmes at the tertiary education level. CPA Australia is in collaborative arrangements with two of the four successful institutions. Whilst highly laudable, there remains absent a national coordinated approach.

Recommendation:

In order that the insights gained from the above studies are fully utilised within the terms of the government's nation action plan, CPA Australia urges that consideration be given to the provision of limited funding to help embed sustainability training in key professions across the wider economy. The current fragmented approaches which emerged may detract from an area where Australia has potential to build knowledge based competitive advantage. Moreover, the tools can be used to nurture the next generation of professionals with the skills of flexibility, adaptability, communication and sensitivity that will be necessary as part of Australia's shift to a more sustainable basis of economic activity.

Pre-Budget submission 2011–2012

6. Other budget related proposals

6.1 Building the capacity of the Australian Public Service

6.1.1 Mobility program

The government fund an expansion of mobility programs for public servants between the Australian Public Service (APS) and employers in the not-for-profit entities and the APS and employers in the private sector. Such a program exposes public servants to different work experiences and environments, which helps to build capability; address skills gaps and strengthen commercial experience in the public sector.

Such a program could include the academic workforce. CPA Australia believes there will be demonstrable benefits if greater engagement and mobility involved the tertiary education sector.

Recommendation:

The government fund an expansion of mobility programs for public servants, including academics from tertiary institutions, between the Australian Public Service and the private sector and not-for-profit sector employers.

6.1.2 Improving Asian literacy in the Australian Public Service

It is important that the Australian government develop programs to enhance the Asian literacy of current and future leaders of the APS. Such understanding and familiarity with Asia will help with the development and implementation of policy in the Asian Century.

Such a program could be developed and run through the Australia and New Zealand School of government (ANZSOG) or another similar institution, and involve the placing of students who are senior public servants, or future leaders of the service, in partner institutions in Asia as part of their course and/or as part of a specialist course.

Recommendation:

The government provide funding to the Australia and New Zealand School of government (ANZSOG) and other similar institutions for them to place their students and academics in partner institutions in Asia.

6.2 Assistance for business affected by natural disasters

CPA Australia made a significant contribution in response to the Victorian bushfires of February 2009 and the Queensland floods of 2010/2011. The main observation from those experiences is that government support to businesses, particularly indirectly affected businesses, could be improved. We therefore suggest that plans by governments to respond to future disasters incorporate the following support for business:

- expanding the support services that are provided to the community following a natural disaster to include more support on business issues
- establishing business enterprise centres in the affected areas or provide additional resources to existing business enterprise centres in affected areas so that directly and indirectly affected businesses can have access to long-term business support (for severe natural disasters). Such centres could be useful additions to community hubs that are established in local areas following a significant disaster event
- expanding the eligibility requirements of the New Enterprise Incentive Scheme (NEIS) so that affected small business operators may qualify.

Recommendation:

The government's response to future natural disasters incorporate the following support for business:

- provide more support on business issues, particularly to indirectly affected businesses
- establishing business enterprise centres in the affected areas or provide additional resources to existing business enterprise centres so that directly and indirectly affected businesses can have long-term access to business support
- expanding the eligibility requirements of the NEIS so that affected small business operators may qualify.



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