Federal Budget Submission

September 2022

Introduction

CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We make this Pre-Budget submission on their behalf and in the broader public interest.

Current business conditions are challenging and uncertain. Many businesses face skills and worker shortages, supply disruptions, increasing costs and growing fears over the impact of interest rate rises on consumers.

For government, concerns over the size of the budget deficit and net debt are legitimate. However, Australia's net debt to GDP ratio remains low relative to other comparable economies.

Given this challenging environment, CPA Australia believes that the key themes for this budget should be:

- tackling worker and skills shortages
- supporting otherwise viable businesses that are being impacted by current challenges
- reducing regulatory pressure
- promoting new growth prospects
- addressing the impacts of climate change
- improving public sector finances
- supporting the not-for-profit and charities sector

On tackling the worker and skills shortage, we expect the government will build on the momentum from the Jobs and Skills Summit and incorporate many of the Summit's immediate initiatives into this budget. Other initiatives that fast track the return of international students and greater skilled migration should also be considered for this budget rather than be delayed for the White Paper.

Accountants are at the front line of supporting business, including businesses in distress. They're telling us that business confidence is fragile, and the outlook is uncertain for many. CPA Australia supports incorporating short-term support for business in this budget.

There are a range of low-cost policy initiatives that can support business to enhance their capability to respond to short-term risks and long-term opportunities. We recommend that the government works with stakeholders to design a business and skills support package for this budget that helps business manage through current risks and take advantage of opportunities.

Not all support need be financial. Budgets with fewer measures reduce the compliance burden that such changes impose on business. This gives businesses extra time to focus on getting back on track and improving performance.

Business support should be designed so that it is repeatable, scalable, can be adjusted for future significant events (or shocks) and which builds the resilience of businesses to manage through shocks and challenges without the need for additional government support.

On improving the government's financial position, the government shouldn't risk its sustainability goals in the pursuit of lower debt and deficits. The test that government should employ before taking on new debt is to determine whether it improves Australia's economy and society.

We believe it's appropriate for the government to undertake limited intervention in the economy at this time. Allowing the economic consequences of current risks to go unchallenged may have significant detrimental impacts on businesses facing an unusual combination of events.

For more information

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Summary of Recommendations

Short term support for business

- Assisting business access advice
- Support for not-for-profits and charities
- Encouraging greater volunteering uptake
- Investing in technology
- Supporting older Australians re-enter the workforce
- Digitalising small business

Economic Transformation and Sustainability

- Improving stakeholder engagement
- Developing standardised support for businesses impacted by disasters
- Tax reform
- Climate change initiatives
- International sustainability developments
- Technology's role in reaching net zero
- Encouraging saving and investment

Short-term support for business

Assisting business access advice

Many small businesses need advice to respond to the challenging and unusual environment they are facing currently. Providing direct financial incentives to small business to access advice from their adviser of choice should build their capability to manage through the challenges and position themselves for growth. The value to the economy that such an incentive can generate for business may be many times larger than the outlay by government.

Recommendation 1
To support small businesses through current challenges, the government should provide them with financial incentives to access tailored advice from approved professional advisers of their choice.

The highly successful Victorian Government's Small Business Specialist Advice Pathways Program and Tasmania's COVID-19 Small Business Advice and Financial Guidance Program provides examples of such schemes.

Demonstrating the strong need for such support, applications for the Victorian Government's Small Business Specialist Advice Pathways Program (a $2000 grant to employing small businesses to access professional advice) closed within 72 hours of opening, due to being oversubscribed.

Smaller businesses can build their business capabilities in a variety of ways. It's our experience that one of the best and fastest ways is with the assistance of their professional adviser. Our members have informed us that due to the current challenging environment, many of their small business clients don't have the capacity to pay for advice or have given it a low priority. We know this can potentially endanger the viability of such businesses and limit their recovery options.

Our members often find that this reluctance to seek advice grows when small business get further into difficulty. Members have told us that businesses in distress increasingly avoid communicating with others, including their trusted adviser. They attribute this to concerns over the cost of advice and a fear of appearing to be a failure.

The consequence of not seeking advice is that the range of options available to business owners to respond to their challenges reduce significantly. This may lead to otherwise viable businesses needlessly struggling. In worst-case scenarios, decisions on the future of a business may be made by creditors, not the business owner.

Expanding the business advisory services provided by governments or their contractors is not the solution. Such services only reach a small proportion of businesses. Further, small businesses are overwhelmingly more likely to seek advice from a private provider, especially accountants. For example, CPA Australia's Asia-Pacific Small Business Survey showed that 44 per cent of Australian small businesses received advice from an accountant or business consultant in 2021, compared to eight per cent who received advice from government. Government should roll out support programs that leverage the existing relationships small business have with professional advisers. This is likely to reach far greater numbers of small businesses in need of advice.

CPA Australia proposes that the government consider providing small businesses, especially those in difficulty, a financial incentive to access professional advice. This incentive could be in the form of a voucher or grant (we suggest around $2000). The small business would use it to pay for the advice they need from an approved professional adviser of their choice (for example, their existing professional accountant, lawyer or technology consultant).

The implementation of such a proposal could offer a safety net for businesses in difficulty. This proposal would also assist with the emergence of a stronger, more competitive and sustainable small business sector in the longer term.

Support for not-for-profits and charities

The Australian not-for-profit (NFP) sector plays a vital role in delivering critical health, education and other support services to communities across Australia. Government funding through grants, tax concessions and other funding arrangements remain critical for the ongoing sustainability of the sector - at a time when volunteering is declining.

Recommendation 2
Continue fundraising regulatory reform through the Council on Federal Financial Relations (CFFR).

Recommendation 3
Develop a simplified and proportionate financial reporting framework that smaller NFPs can easily adopt to meet their accountability and transparency obligations. We note the ongoing project of the Australian Accounting Standards Board to develop such a framework.

Recommendation 4
Provide smaller NFPs financial support to build their capability and capacity to invest in technologies most appropriate for their organisation.

Recommendation 5
Provide smaller NFPs financial incentives to access tailored advice from approved professional advisers of their choice.

We are pleased to note the increased focus on the sector through a dedicated Minister for Charities. We expect this increased focus will result in tangible positive outcomes for the sector through improved regulation and facilitation of a vibrant and sustainable NFP sector.

There is a continuing need to simplify and streamline the regulation of the NFP sector, especially in the areas of fundraising and reporting obligations. We commend the Australian Government for its renewed efforts to improve NFP regulation.

A simplified and consistent financial reporting framework applied to all NFPs across Australia is important for a sustainable and successful NFP sector. Whilst we note much has been achieved in aligning financial reporting requirements across Australian jurisdictions, a number of differences still remain, leading to unnecessary duplication of effort.

The performance of NFPs can be improved by helping them build their capability and capacity to choose, acquire, implement and leverage technologies. With many having limited resources, government support will be key to driving the sector's digital transformation.

The performance of NFPs can also be improved by assisting the sector to access professional advice. The reported decline in volunteers will have significant impacts on the ability of the sector to provide services to the community. Many smaller NFPs would benefit from advice on how to tackle this significant challenge.

We believe the government should provide financial incentives to small NFPs to help them access tailored advice from their adviser of choice. The design of such support could be similar to Victoria's Small Business Specialist Advice Pathways Program (a $2000 grant to employing small businesses to access professional advice).

Encourage greater volunteering uptake

The NFP and charities sectors are sustained by the dedicated, committed and often under-recognised work of volunteers. Recent census data shows a decline in the number of Australians volunteering.

There are many potential reasons for this decline including the ageing volunteer base, very low levels of unemployment, COVID anxiety or fatigue and a general trend of declining community involvement.

Our members in the NFP and charity sectors have also advised that it is hard to attract volunteers due to the ongoing adverse effects of the pandemic and general labour shortages. Whilst these matters are not unique to the NFP sector, the reliance placed by the sector on volunteering exacerbates these challenges.

Recommendation 6
The Productivity Commission research the barriers to volunteering and develop policy recommendations to reinvigorate the volunteer sector.

Recommendation 7
The Productivity Commission should also update its 2010 research on the contribution of the NFP sector

Whilst there is a good understanding on some elements of the sectors (e.g. aged care and disability care) there is limited understanding of the overall sector including its needs, make up and the ways in which it serves Australian communities.

Tackling skills and worker shortages

International students and backpackers

International students and working holiday makers provide a significant pool of labour for Australian businesses. However, since the pandemic began there has been a significant reduction in the number of people in both of these categories coming in Australia.

Recommendation 8
The cost of visa application fees for international students and working holiday makers be permanently reduced.

Recommendation 9

The work restrictions on international students and training visa holders be removed permanently.

Recommendation 10
Provide additional funding to the Department of Education to run an extensive promotional campaign to attract international students to Australia.

Recommendation 11
Facilitate easier and quicker pathways for international students to become permanent residents and citizens.

Recommendation 12
Reform and streamline visas and visa requirements to make it easier and more attractive for global talent to move to Australia.

The recent Jobs and Skills Summit listed several immediate actions it's believed will help attract more people to Australia. The Summit also set out areas for further work on this topic.

As was recognised at the Summit, there's strong global competition for labour, talent and international students.

Long delays in visa processing, uncertainty over migration pathways (especially pathways to permanent residency), high visa and related-legal costs, and poor experiences when applying for visas have all added to Australia developing an unwelcoming reputation. Feedback from prospective migrants also indicates that key competitor destinations are more effective at attracting students and talent.

The immediate actions announced at the Summit will improve Australia's reputation to some degree. However, more needs to be done.

In our view, the budget is an excellent opportunity to build on the momentum for change generated at the Summit with funding commitments to:

- reduce the cost of visa applications
- better promote Australia as a destination for international students and migrants
- streamline Australia's visa regime and requirements
- make the process for a migrant to become a permanent resident easier, cheaper, quicker and more welcoming.

Investment in technology

Investing in the technology used by the government to manage Australia's visa system should lead to improvements in processing and the experience of those considering Australia as a place to study, work and settle.

Recommendation 13
Invest in improving the systems and processes used for migration processing by the Department of Home Affairs.

Older Australians

As was discussed at the Summit, older Australians represent another potential source of labour. However, the number of older Australians willing to return to the workforce may not be large. The willingness of employers to employ older workers may also not be significant.

Recommendation 14
Further measures be considered that encourage older workers to return to the workforce, and employers to employ these workers. Examples include a permanent increase in the amount pensioners can earn before their pension is impacted and the provision of free or subsidised training to older workers.

In 2020, OECD data showed Australia's labour force participation for those 65 and over was 14.2 per cent, compared to 67.1 per cent for those aged 55 to 64. The OECD average for those 65 and over is 15.3 per cent. Australia's participation rate is below New Zealand (24.8 per cent) and the US (19.4 per cent). However, it is higher than most European nations.

While the participation rate for this age group is low, Australia's unemployment rate for those 65 and over in August 2022 was 2 per cent, compared to 3.5 per cent for those aged 15 to 64. Hence, while there is a potentially large pool of older Australians that can work, the number actively seeking work is very low.

Our engagement with members indicates that there are a variety of reasons why employers can be reluctant to employ older Australians. These include the currency of their knowledge and their digital literacy.

In addition to the temporary increase in the amount age pensioners can earn before their pension is reduced (as announced at the Summit), other incentives to encourage greater workforce participation by older Australians include:

- making the proposed temporary increase permanent
- increasing further that that proposed, the amount age pensioners can earn before

their pension is reduced. For example, to the tax-free threshold (currently $18,200)

- offering older Australians seeking to return to the workforce and / or volunteer their time free or highly subsidised training in areas with the greatest need.

Digitalising small business

Over the past 15 years, CPA Australia has surveyed over 35,000 small businesses across the Asia-Pacific region. The results, presented in our annual Asia-Pacific Small Business Survey, shows that the digital capability of Australian small businesses is typically well behind their counterparts in Asia. This includes selling online and social media use.

Recommendation 15
Implement a program providing direct financial support for small businesses to engage in approved e-commerce platforms.

Recommendation 16
Increase the technology training available to small business. Such training should include cybersecurity and data privacy.

The digital gap between small business in Australia and small business in Asia is likely to have contributed to Australia's small businesses reporting lower growth than their peers in the region in 2021 (32.2 per cent of respondents to our small business survey reported business growth compared with the survey average of 47.3 per cent).

In turn, this is likely to have contributed to Australia's small businesses being the least likely in the region to have increased employee numbers every year since 2014 (only 7.1 per cent of Australian respondents to our survey reported that they increased employee numbers in 2021 compared with the survey average of 28.7 per cent).

For policymakers considering measures to support Australia's small businesses, improving the digital capability of the sector is essential. With a large majority of Australia's small businesses having less than five employees, access to professional advisers will be critical to achieving this goal.

While COVID-19 has seen many small businesses increase selling online, Australian small businesses remain significantly less likely to do so than their counterparts in Asia (37.3 per cent of Australia's small businesses generated more than 10 per cent of their revenue online in 2021, compared with the survey average of 60.6 per cent).

One local example of a technology support program the government should consider, in terms of implementing a support program, is the Victorian Government's Small Business Digital Adaptation Program. This program provided a $1200 rebate to assist small businesses acquire a range of pre-approved technologies.

Academic research commissioned by CPA Australia shows that uncertainty over how to best manage security and privacy is a major barrier to technology adoption. Other barriers include the attitude of senior management, compatibility, infrastructure and systems issues.

The research shows that these barriers can be reduced through better access to technology training, including on security and privacy issues, the business developing its own technology strategy and through more extensive incentivisation of technology use by governments.

Additionally, cyber-crime and cybersecurity are increasingly impacting small businesses, many who are unprepared or uninsured for this eventuality. Increasing digital literacy and cyber-awareness in business owners and their businesses is critical to combat this issue.

Economic Transformation and Sustainability

Improving stakeholder engagement

Effective stakeholder engagement by government is not only essential to good policy development and its successful implementation, but also to driving Australia's economic transformation.

Effective engagement includes governments giving the community sufficient time to consider proposed policy, law and administrative changes. Running too many consultations at similar times should also be avoided.

Recommendation 17
Introduce a centralised stakeholder engagement function within government agencies. Such a function should be responsible for coordinating the timing of their agency's consultations, overseeing its effectiveness and inclusiveness, and providing advice on process improvement.

While the Federal Government, and especially the ATO and Treasury, are generally good at stakeholder engagement, there is room for improvement. We have noticed that the quality and consistency of government consultation processes varies, including the time given to respond. This, plus the quantity of consultations at any one time, impacts the ability of interested and affected parties to provide considered and useful feedback.

This increases the risk of poor policy development, unintended consequences and implementation issues. It can also impact the ability of industries to rapidly respond to or manage policy change.

In designing effective engagement processes, government agencies should recognise that external parties don't have the same level of resources as the government and often rely on small numbers of people who manage multiple portfolios.

To improve stakeholder engagement, CPA Australia recommends that centralised engagement teams be established within agencies (where they currently don't exist) to:

- coordinate the timing of consultations across the agency (and with related agencies), ensuring that stakeholders have sufficient time to respond to consultations and are not overloaded with too many concurrent consultations
- ensure there are a variety of ways stakeholders can provide feedback, and consider developing new and innovative approaches to engagement
- advise the agency of process improvements and best practice, as well as measure the effectiveness and inclusiveness of the process.

Developing standardised support for businesses impacted by disasters

CPA Australia's submission to the National Natural Disaster Arrangements Royal Commission recommended that governments develop standardised support for business and individuals impacted by a disaster that can be quickly activated. Such support should be able to be scaled up or down in response to the nature and magnitude of the disaster.

Recommendation 18
Develop an "off the shelf" scalable disaster support package for businesses. The level of support should reflect the nature and magnitude of a disaster.

A standardised and scalable disaster support package for business should expedite the delivery of appropriate support to business and individuals impacted by a disaster. This will provide greater certainty at a time where business and individuals could be facing significant distress.

Having a ready-made disaster support plan for business, that is based on robust risk analysis, would enable future governments to implement tried, tested and sound disaster support quickly.

We note the recent appointment of Australia's first Coordinator-General for National Emergency Management and believe this recommendation could sit within the remit of this newly established role.

Tax reform

The government should prioritise reform of Australia's tax system. Existing structural challenges have been exacerbated by COVID-19. Tax reform is fundamental to raising Australia's productivity and achieving strong economic growth that will lift future living standards. There also remain opportunities for targeted improvements to support taxpayers and the economy in the coming years.

Recommendation 19
Undertake a review of the Australian tax system including a comparative analysis of Australia against other OECD countries, assessment of the ongoing relevance of recommendations from previous reviews and evaluation of the effectiveness of key tax policy settings.

Significant effort is put into assessing elements of Australia's tax system each year with many government-initiated reviews, audits and investigations being undertaken. Recommendations usually identify a number of specific areas for improvement as well as broader systemic issues that should be addressed.

There is also substantial research published by academic institutions, policy experts and non-government stakeholders that provides further insights and potential solutions. However, Australia remains without a clear plan to address the structural challenges and more costly, contentious and/or politically difficult aspects of our tax system.

In addition to the government providing clarity on all announced but unenacted tax measures, we believe that transparent public consultation on key issues is essential for the Government to identify the most feasible, practical and reasonable areas for reform.

Establishing a tax reform program with bi-partisan support and buy-in from the state governments will provide Australians, businesses and investors with greater certainty and progress necessary reforms.

Recommendation 20
Initiate and lead discussions on GST, stamp duty and payroll tax reform with state and territory governments.

The current dependence on personal and corporate taxes to generate government revenue stands in contrast to other OECD economies that generate significantly more of their revenues from indirect taxes such as GST.

It is incumbent on the federal and state governments to address the ever-growing structural problems in Australia's tax system in the interest of future generations.

Reforming the GST system by broadening the base and considering an increase in the rate will not only improve the efficiency of federal taxes but will also allow the states to progress necessary reforms.

Previous announcements in relation to improving payroll tax reporting nationally should also be progressed.

Recommendation 21
Make temporary full expensing (TFE) permanent for small businesses.

The introduction of the instant asset write-off and TFE has assisted businesses to maintain or even increase their capital expenditure. It has also decreased the complexity of tax depreciation for many businesses.

To support economic transformation and increase capital investment by our small business sector, we recommend that the TFE be made permanent for small businesses.

Recommendation 22
Reduce the interest rate charged on outstanding tax liabilities to the interest rate paid by the government.

We support this recommendation of the Standing Committee on Tax and Revenue as small businesses, in particular, often incur above-market interest costs for tax liabilities that are usually paid within 90 days.

Other options include a smaller reduction towards the prevailing cash rate or consultation on market-based solutions which enable cheaper access to credit to improve cash flow.

Recommendation 23
Address the unfairly punitive nature of superannuation guarantee charge (SGC) penalties contained in Part 7 of the Superannuation Guarantee (Administration) Act 1992 (SGAA).

The Commissioner of Taxation should be provided with the discretion to remit penalties where there is no mischief, and the employee is not out of pocket. The SGC should be connected to payment rather than reporting dates, and mismatches created by clearing house and other timing issues outside the control of the employer should be addressed.

Recommendation 24
Progress consultation on the recommendations from the Review of the Tax Practitioners Board (TPB).

This review identified a number of positive potential reforms that require further consultation and input from the tax profession. It's essential that the TPB is supported to independently and effectively regulate the tax profession and we consider that the recommendations from the review are the most appropriate framework through which to progress reforms.

Recommendation 25
Abolish the luxury car tax.

The luxury car tax (LCT) exists as a remnant of Australia's car manufacturing policies. It contributes little to government revenues while creating complexity and purchasing distortions in the Australian car market.

The LCT is frequently imposed on vehicles purchased by middle-income Australians, not just luxury cars. It's also a disincentive for Australians to shift to electric vehicles (EV). Consideration should also be given as to whether the customs duty of five per cent on vehicle imports should be retained.

Recommendation 26
Release the Board of Taxation's Fringe Benefits Tax (FBT) Compliance Cost Review and the government's response.

The design of and compliance with the FBT system remains an area of concern for many employers and tax practitioners. The release of the Board of Taxation's report on FBT compliance costs and the government's response will enable reform discussions to progress.

Climate change initiatives

Climate policy is indivisible from environmental, health and economic policy. Consideration of climate change policy must therefore be a core principle in this budget.

Recommendation 27
Introduce a climate change impact analysis into the budget decision-making process and deliver an annual Climate Change Budget Statement.

In an environment of economic ebbs and flows, rebuilding the economy and improving public finances need not come at the expense of environmental, social and governance (ESG) issues broadly and effective climate change action more specifically.

There is momentum among many governments, businesses and investors to ensure delivery of sustainable and inclusive economic growth. This includes decoupling the economy from a fossil fuel over-dependency.

We urge a closer working relationship between government and the business sector. The delivery of Australia's Paris Agreement Nationally Determined Contributions (NDCs) is inextricably linked to the actions taken by these stakeholders. We support the increased ambition in raising Australia's NDC to 43 per cent by 2030 from the previous 28 per cent.

CPA Australia recommends a thorough and close consideration of the Climate Change Authority's (CCA) December 2021 report Economic Data for a Decarbonising World. In particular, recommendation 1 in Chapter 6 (Transitioning Australia to a low-emissions future) states:

> *Develop a long-term climate change strategy that ensures Australia's contribution to the achievement of the temperature goals of the Paris Agreement and ensures we make the most of opportunities arising from the transitioning to a low emissions global economy.*

We also note the Intergovernmental Panel on Climate Change's Sixth Assessment Report indicating the upward trajectory of observable impacts, risks and levels of vulnerability. This is a deterioration from the previous assessment which underscores the importance of increased urgent collective action.

Any long-term climate change strategy should be supplemented with interim goals, targets and metrics that should (ideally) be updated annually. This helps improve investor certainty and smooths the transition to a low-emissions economy.

We would also urge the government to balance support of industries that may see a reduction or complete phasing out of operations as a result of the transition to a lower carbon future state, with support of those industries that may experience growth.

The government should also acknowledge and take into consideration the increased cost pressures for governments, business and individuals to transition to a net zero future. The cost of measures to reduce emissions will flow through to the cost of living for Australians as demand for sustainable goods and services rapidly increases, new markets are established and supply chains adjust. These pressures will be more felt more acutely as the timeframe to transition is condensed.

Similar to the government's intention of applying gender impact analysis on decision-making processes, we believe policy design would also benefit from climate change impact analysis. Such an approach should give policy makers, business and the broader community a deeper understanding of what will be the economic, business and social impacts of policies required to meet our climate change commitments.

International sustainability developments

Recommendation 28
Review the structure and resourcing of the current regulatory and standard-setting environment in Australia following (i) the establishment of the International Sustainability Standards Board, and (ii) New Zealand issuing its own climate-related disclosure standards.

CPA Australia sees it as vital that the regulatory environment embeds global developments in corporate reporting around climate change. We urge the government to reflect on the initial two draft sustainability-related standards produced by the International Sustainability Standards Board and their implications for the Australian environment.

We also note the increased pressure from a broad range of stakeholders in Australia demanding comparability, transparency and assurance of sustainability-related disclosures.

The government should also consider what lessons can be drawn from New Zealand's External Reporting Board (XRB) issuing its own climate-related disclosure standards.

Technology's role in reaching net zero

Recommendation 29
Fund the development and deployment of green technologies.

The development and deployment of new technologies will be critical in combatting climate change. With the potential for many of those technologies to find it difficult to source funding due to their highly speculative nature, the government has an important role in supporting the development and deployment of such technology.

Recommendation 30
Implement a federal road user charge system for electric vehicles (EVs).

As the adoption of EVs grows, the excise revenues used to develop and maintain Australia's road infrastructure will decrease unless a charge is placed on EV users. For consistency and certainty, a federal charge is preferred to the states separately imposing such charges.

Encouraging saving and investment

Australia's superannuation system is under pressure from several areas, including the estimated $35.9 billion withdrawn from superannuation in response to COVID-19, an ageing population, demand for capital and increasing compliance costs.

Recommendation 31
Formulation of an objective for superannuation and the broader retirement savings system.

Recommendation 32
Introduce measures to increase access to financial advice, including the consideration of tax deductibility of advice fees.

Recommendation 33
A targeted range of investor incentives for investment aimed at improving Australia's productivity and innovation.

Recommendation 34

Amend the non-arm's length income and expenditure (NALI/E) rules for superannuation funds to address deficiencies in the tax law and provide certainty to trustees.

Recommendation 35
Consideration of a range of policy measures aimed at encouraging long term savings outside of the superannuation system.

Recommendation 36
Introduce measures to reduce the gender superannuation gap, including the payment of superannuation guarantee contributions on paid parental leave.

A key finding of the 2021 Intergenerational Report was that Australia's dependency ratio, a key measure of Australia's ability to fund retirees and other non-working Australians from taxpayers, is forecast to reduce from four (4) today to 2.7 in 2061.

The added pressure of accessing savings designed for retirement comes at a time when the broader superannuation system has been subject to early access measures which are not generally regarded as retirement-related, such as the early access for people impacted by COVID-19 and the First Home Super Saver Scheme.

There are other jurisdictions which use retirement income systems for non-retirement related purposes, such as housing or health insurance. The retirement outcomes for these systems are suboptimal compared to systems which restrict retirement incomes to retirement only We note that other jurisdictions with top performing retirement income systems, such as Denmark and the Netherlands, are solely dedicated to retirement savings. (Mercer, Monash University Monash Business School, CFA Institute, 2021. *Mercer CFA Institute Global Pension Index 2021: Pension reform in challenging times*).

The Intergenerational Report also noted the increasing risks to national retirement policy through the accessibility of superannuation prior to retirement. It's important that our retirement income system be properly equipped to deal with its purpose - retirement. Defining an objective for superannuation and the retirement savings system will assist in more careful consideration being given to whether superannuation should be accessed in times of crisis. A definition could also assist in the design of potentially more appropriate policies to help households respond to future shocks.

In addition to superannuation, the retirement savings system also encompasses the Age Pension, non-superannuation investments, including the family home, and aged care. We consider that the formulation of an objective for superannuation and the retirement savings system would assist in determining when policy is at odds with the reason why the Australia's superannuation system exists.

However, we also note that several other issues affecting savings and investment were highlighted by the Intergenerational Report, including:

- how to increase workforce participation to combat the declining dependency ratio
- the difficulty in accessing financial advice for both retirees and working Australians
- the emerging need to support and encourage innovation and increase productivity through targeted investment incentives.

We also note the increasing compliance costs for regulated superannuation funds. In particular, CPA Australia has been, with other accounting, tax, financial advice, superannuation and actuarial bodies, in dialogue with both government and regulators regarding the 2019 expansion of the NALI/E provisions.

We consider the intent of the expansion to be correct. However, our overarching concern is that the ATO's interpretation means that the rules could result in some funds having their income taxed at the non-arm's length rate of 45 per cent. It could also operate in conflict with a range of trustee obligations, including the newly enacted best financial interests duty (BFID) rule in the *Superannuation Industry (Supervision) Act 1993.*

We note that ATO relief in relation to these provisions is due to end in June 2023. Given the impact on APRA and ATO-regulated funds within the superannuation sector, legislative amendments are urgently required.

The gender gap in retirement savings means that women retire with smaller superannuation balances than men, which in turn means less financial security. Mothers are overwhelmingly more likely to take time off to look after children than fathers.

The Retirement Income Review investigated paying superannuation on parental leave and found it would help reduce the gap between men and women's superannuation balances. The Productivity Commission recommended paying super on parental leave. Continuing superannuation contributions at this time will reduce the impact of the gender gap in retirement savings.