Federal Budget Submission

January 2023

Introduction

CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world, including nearly 120,000 members in Australia. We make this pre-Budget submission on their behalf and in the broader public interest.

Accountants are at the front line of supporting Australian business, including businesses in distress. They are telling us that 2023 is likely to be characterised by four key challenges:

- continued high input costs
- higher interest rates
- weakening demand
- labour and skills shortages.

While business confidence is currently at reasonable levels, it is beginning to trend downwards as consumers and businesses adjust their behaviour in response to rising interest rates and increases in other day-to-day expenses. With further interest rate increases predicted and the end of fixed interest rate periods for many borrowers, we expect the economy to slow in 2023.

The other major challenges facing business are supply disruptions, cybersecurity threats and regulatory changes.

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

- capability building for business and not-for-profits (NFPs)
- tackling skills and worker shortages
- climate change action
- economic transformation
- reducing regulatory pressure
- improving public finances.

We recommend that the government works with stakeholders to design budget measures that help business and NFPs build their capability to respond to risks and opportunities. Such measures should improve the resilience of businesses to manage through shocks and challenges without the need for significant government support.

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.

Our members are telling us that in an environment where many businesses are facing significant and novel risks, it is more difficult than usual for them to keep up with regulatory change. Providing greater regulatory certainty and stability should help business over the coming years.

For more information
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Summary of recommendations

Supporting business and NFPs to build capability

- Incentivising small business and NFPs to access advice
- Digitalising small business and NFPs
- Encouraging companies to resolve solvency issues early
- Managing the increase in assetless insolvencies

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Economic transformation and improving public finances

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- Targeted tax changes
- Retirement savings reform
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Reducing regulatory pressure and improving public service delivery

- Improving stakeholder engagement
- Regulatory reforms for the NFP and charities sectors
- Developing standardised and scalable disaster support for business

Supporting business and NFPs to build capability

Incentivising small business and NFPs to access advice

Summary

There are several ways to build the management capabilities of small businesses and NFPs. However, with both sectors facing significant risks that threaten the viability of some organisations, this budget should focus on programs that can be implemented quickly and have an almost immediate impact.

The quickest way for small businesses and NFPs to build capability is to seek advice from those who have the knowledge, skills and experience to assist with building that capability – their existing professional advisers. We recommend that this budget funds a program that provides direct financial incentives to small business and NFPs to access advice from their adviser of choice. We suggest the Federal Government model such a program along similar lines as to the Victorian Government's Small Business Specialist Advice Pathways Program.

The value to the economy that such an incentive can generate for business and NFPs may be many times larger than the outlay by government.

Recommendation 1

Fund incentive payments to small business and NFPs to encourage them to access tailored advice from approved professional advisers of their choice.

Detail

Smaller businesses and NFPs can build their business capabilities in a variety of ways. It is our experience that one of the best and fastest ways to build capability is with the help of a professional adviser.

Our members have informed us that due to the current challenging environment, many of their small business and NFP clients don't have the capacity to pay for advice or have given it a low priority. We know this can potentially endanger their viability and limit their recovery options.

Our members often find that this reluctance to seek advice grows when small business and smaller NFPs get further into difficulty. 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 a business or NFP to respond to their challenges reduce significantly. This may lead to otherwise viable businesses and NFPs needlessly struggling. In worst-case scenarios, decisions on their future will be made by others.

Expanding business advisory services provided by governments or their contractors is a sub-optimal solution. Such services only reach a small proportion of businesses. 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 found that 47 per cent of Australian small businesses received advice from an accountant or business consultant in 2022, compared to 11 per cent who received advice from government.

The government should introduce support programs that leverage the existing relationships small businesses have with professional advisers. This is likely to reach far greater numbers of small businesses in need of advice.

NFPs are facing specific challenges over the next few years. The reported decline in volunteers will have significant impacts on their ability to provide services to the community. Many smaller NFPs would benefit from advice on how to tackle this significant challenge.

Small businesses and NFPs could also use an incentive payment to seek advice on improving energy efficiency.

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

Digitalising small business and NFPs

Summary

Over the past 15 years, CPA Australia has surveyed over 39,000 small businesses across the Asia-Pacific region. The results, presented in our annual Asia-Pacific Small Business Survey, show that the digital capability of Australian small businesses is typically well behind their counterparts in Asia and larger local businesses. This includes online retailing and social media use.

The survey suggests that this lack of digital skills is likely to be having a negative impact on their profitability and efficiency.

The performance of small businesses and NFPs can be improved by helping them build their capability and capacity to choose, buy, implement and leverage technologies. With many having limited resources, government support is necessary to drive digital transformation.

The Technology Investment Boost should encourage more small businesses to invest in technology. However, a major barrier to effective technology investment by small business and smaller NFPs is their generally low understanding of technology and its applications.

Programs that support investment in selected technologies may complement the Technology Investment Boost and help to overcome this investment barrier. Therefore, we recommend that this budget include funding for innovative programs that encourage investment in selected technologies, such as e-commerce. Such a program should build greater awareness and understanding of technology options available to small business and NFPs, including in cybersecurity and data privacy.

Recommendation 2

Introduce further financial incentives and training programs that build the capability and capacity of smaller businesses and NFPs to invest in technologies most appropriate to their organisation.

Detail

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 2022 (48 per cent of Australian respondents reported their small business grew in 2022 compared with the survey average of 59 per cent).

This is likely to have contributed to Australia's small businesses being among the least likely to have increased employee numbers last year (22 per cent of Australian respondents reported that they increased employee numbers in 2022 compared with the survey average of 35 per cent).

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 (46 per cent of Australian respondents reported generating more than 10 per cent of their revenue online in 2022, compared with the survey average of 68 per cent).

One local example of a technology support program is the Victorian Government's Small Business Digital Adaptation Program. This program provided a $1200 rebate to help small businesses buy 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 in security and privacy, the business developing its own technology strategy and government incentives.

Cyber-crime and cybersecurity are increasingly affecting small businesses and NFPs. Too many are unprepared for this eventuality. Increasing digital literacy and cyber-awareness is critical to combatting this issue.

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

Encouraging companies to resolve solvency issues early

Summary

Our members working in insolvency are expecting a larger than usual increase in the number of insolvencies in 2023 and 2024. The government should consider measures which may help businesses resolve solvency issues early. This increases the probability of viable businesses continuing or the likelihood of a return to creditors should the company enter external administration.

We recommend that this budget funds the reintroduction of the Australian Securities and Investments Commission's (ASIC) National Insolvent Trading Program. The program involved ASIC visiting companies displaying solvency concerns, raising awareness of their directors' duties and encouraging them to seek professional advice.

Recommendation 3

Fund ASIC to visit companies displaying solvency concerns to raise awareness of directors' duties and their options.

Detail

ASIC should receive additional funding from consolidated revenue (not from cost-recovery fees) to enable it to visit companies showing signs of financial distress, or nearing insolvency.

The key aims of such visits should be to:

- assist directors to identify insolvency indicators relating to their company
- encourage businesses in distress to seek professional advice early
- increase awareness of directors' duties.

The visits should result in more companies taking early action to address their solvency problems. This could involve a restructure or the appointment of an external administrator. Such prompt action should result in better outcomes for the owners of the company, creditors and employees.

The government should consider offering a grant to businesses that are visited by ASIC to encourage them to seek expert advice. A model for this is the Professional Services Fund Grant, which provided eligible rural and regional businesses up to $5000 to help them obtain specialist advice.

Managing the increase in assetless insolvencies

Summary

The expected increase in insolvencies is likely to include an increase in insolvent companies with no, or negligible, assets.

To enable liquidators to carry out proper investigations of such companies we recommend reinstating the funding increase for the Assetless Administration Fund, announced in the March 2022 budget.

Recommendation 4

Reinstate the extra funding for the Assetless Administration Fund announced in the March 2022 budget.

Detail

To help manage the expected increase in insolvencies, curb fraudulent phoenix activity and better protect the rights of employees and creditors, we suggest reinstating the funding increase to the Assetless Administration Fund announced in the March 2022 budget.

These monies (capped to $7500) should be made available to Registered Liquidators who have recovered no remuneration for undertaking the wind up of a company.

Alternatively, the government could announce new measures to support insolvency practitioners in the wind up of assetless companies.

Tackling skills and worker shortages

Skilled migration

Summary

Skills and worker shortages continue to hinder Australian businesses and the community. For business, it is restricting their ability to grow and manage through challenges. More broadly, it is affecting the delivery and quality of some public services.

While much has been done to address shortages, such shortages remain. We recommend that this budget includes further measures to encourage skilled migration and address the gap between the workforce Australia has and the workforce the nation needs.

It should be noted that there is strong global competition for labour, talent and international students.

Recommendation 5

Continue to preference skilled migrants in the Migration Program using merit-based, points-tested pathways.

Recommendation 6

Feature accounting, audit and finance professionals prominently in Australia's skilled migrant intake.

Recommendation 7

Remove and replace annual caps on the quantity of migrants in the Skills stream with an approach based on migrant quality.

Recommendation 8

Maintain the increased level of funding to the Department of Home Affairs so it can address the visa processing backlog and address recommendations from the Migration System Review.

Recommendation 9

Fund improvements to the systems used by the Department of Home Affairs for migration processing.

Recommendation 10

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

Detail

Lengthy 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 for potential migrants. Feedback from prospective migrants indicates that key competitor destinations are more effective at attracting students and talent.

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

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
- further streamline Australia's migration regime.

All levels of government should be planning for the population growth that further skilled migration brings. This includes infrastructure and services needed to support a growing population.

Education and training

Summary

In addition to migration, Australia needs to increase the domestic supply of skilled workers through education and training.

We recommend that this budget include measures to encourage more people to undertake education and training in fields of identified shortages and areas of expected high demand, such as renewable energy.

Recommendation 11

Reduce student contributions and increase Commonwealth contributions to the cost of degrees in areas of shortage, including accounting.

Detail

As part of the government's review of higher education funding arrangements (the Job-ready Graduates Package), it should consider focusing on qualifications with identified shortages, such as accounting. It should also focus on emerging areas, such as qualifications related to Australia's switch to renewable energy.

To encourage greater student enrolment in such university courses, the government should consider increasing its contribution towards the cost. Such an approach would be similar to the fee-free TAFE and vocational education places the Federal Government is offering in partnership with state and territory governments.

Recommendation 12

Commit ongoing funding to review and maintain the Australian and New Zealand Standard Classification of Occupations (ANZSCO).

Detail

The implementation of the ANZSCO Maintenance Strategy by the Australian Bureau of Statistics is essential to informing the development of contemporary occupation-based policy. This includes identifying occupation shortages, which in turn informs education and training policy and skilled migration.

International students and backpackers

Summary

International students and working holiday makers provide a significant pool of labour for Australian employers. International students who stay after graduation help Australia reduce its skills shortage.

We recommend that the government take further action to attract international students and working holiday makers to Australia, including making it easier for graduates to remain in Australia post-study.

Recommendation 13

Provide additional funding to the Department of Education to run promotional campaigns to attract international students to Australia.

Recommendation 14

Implement the government's commitment to extend the post-study work rights of international graduates from fields where there are skills shortages, including accounting.

Recommendation 15

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

Older Australians

Summary

Older Australians are a 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.

We recommend that this budget include measures aimed at encouraging older Australians to consider re-entering the workforce and encouraging employers to hire older workers.

Recommendation 16

Make permanent, the temporary increase in the amount pensioners can earn before their aged pension is affected.

Recommendation 17

Fund the provision of free or highly subsidised training for older workers or those looking to re-enter the workforce.

Detail

Australia's labour force participation for those 65 and over was 15.0 per cent in 2021 on OECD data, compared to 68.2 per cent for those aged 55 to 64. The OECD average for those 65 and over is 15.5 per cent. Australia's participation rate is below New Zealand (25.1 per cent) and the US (18.9 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 November 2022 was 1.7 per cent, compared to 3.3 per cent for those aged 15 to 64. Hence, while there is a potentially large pool of older Australians without work the number actively seeking employment is low.

Our engagement with members indicates 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 permanently increasing the amount age pensioners can earn before their pension is reduced, other incentives to encourage greater workforce participation by older Australians include:

- increasing the amount age pensioners can earn before their pension is reduced. For example, to the tax-free threshold (currently $18,200)
- offering older Australians looking to return to the workforce and/or volunteer, free or highly subsidised training in areas with the greatest need.

Climate change action

Pricing the transition, building resilient capacity and unlocking future-ready skills

Summary

CPA Australia commends the government for its intent to transition the national grid to a lower carbon state under the Powering Australia policy. We note this important suite of policies enables Australia to:

> *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.*
>
> Climate Change Authority's (CCA). December 2021 Economic Data for a Decarbonising World.

In furthering the aims of the Powering Australia policy, we recommend considering and producing estimates for:

- Australia's commitment to supporting a just transition in Oceania
- supporting and unlocking the capacity and skills required for Australia's transition
- when such investments may be needed
- any impact on inflation.

Recommendation 18

Fund the development of a renewables transition plan that estimates the total capital investment Australia needs to make and when such investments may be needed.

Recommendation 19

Model the anticipated inflationary impact of the transition to renewables and when to expect such pressure.

Detail

The perennial issue around the potential cost of transitioning to net zero remains.

A long-term renewables transition plan with indicative costings will provide Australians, businesses and investors greater certainty. This may encourage greater investment from the private sector.

We encourage the government to produce a renewables transition plan with interim goals, targets and metrics. Ideally, these should be updated and publicly reported annually. Such an approach would improve investor certainty and smooth the transition to a low-emissions economy. Clear planning and reporting would assist accounting and business professionals with the transition through:

- setting robust, fit for purpose goals
- measuring and reporting on performance against such goals, targets and metrics
- advising on the key changes to the strategies and business models that organisations would require to transition and remain resilient
- assuring climate-related and broader sustainability disclosures.

We continue to 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 earlier 28 per cent.

As the government needs to move rapidly to meet its emissions targets, the fast development of new infrastructure and replacement of old infrastructure requires substantial short to medium-term investment. This may add inflationary pressure ("greenflation").

Supporting those most impacted by the transition to renewables

Summary

As Australia transitions at greater speed to a lower carbon state, there needs to be recognition that this can't happen at the expense of those working in sectors earmarked for being phased out.

The government needs to work with stakeholders to design and implement measures that minimise the impact on those people, communities and small businesses most likely to be negatively affected by the transition to renewables.

We recommend that this budget includes long-term funding for measures that support individuals, communities and small businesses most impacted by the transition.

Recommendation 20

Fund the re-skilling and placement of workers from industries most likely to be negatively affected by the transition to renewables.

Recommendation 21

Establish a long-term fund that invests in communities and small businesses that are most likely to be negatively affected by the transition to renewables.

Climate reporting standards

Summary

Essential to the delivery of the government's climate change priorities is the development and introduction of climate reporting standards for governments, large entities and the most intensive emitters. These standards should be consistent with international reporting requirements.

We recommend that the funding given to the Australian Accounting Standards Board in the October 2022 budget for the development of climate reporting standards be increased and extended into 2023-24 and for a few additional years as required.

Recommendation 22

Increase and extend the funding for the Australian Accounting Standards Board has received to develop climate reporting standards.

Detail

It is vital that the regulatory environment embeds global developments in corporate reporting around climate change. We encourage the government to maintain support for the work of the International Sustainability Standards Board as it continues to establish a global baseline for sustainability-related disclosures.

We recognise the critical role of the Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board in interpreting international sustainability standards for the Australian context. Attracting and funding appropriate sustainability-related technical skills is pivotal.

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

Technology's role in reaching net zero

Summary

The development and deployment of innovative technologies will be critical in combatting climate change. The government has a vital role to play in supporting such technology. Those developing technologies may face difficulties sourcing private funding due to the highly speculative nature of the work being undertaken.

We recommend that this budget includes further measures to support the development of green technologies.

Recommendation 23

Invest in the development and deployment of green technologies.

Supporting Pacific nations to adapt

Summary

Australia led its campaign to COP26 with a message around its responsibility to ensure a just transition to a lower carbon future. We recommend that this budget include increased funding to Pacific Island countries to support their adaptation to the direct impacts of climate change.

With adaptation efforts requiring investments over many decades, it is important that the government makes long term aid commitments to such nations to provide them greater certainty.

Recommendation 24

Provide long-term aid to support the efforts of Pacific nations to adapt to climate change.

Economic transformation and improving public finances

Tax reform

Summary

The government should prioritise reform of Australia's tax system. Existing structural challenges have been exacerbated by policy responses to COVID-19. Tax reform is fundamental to raising Australia's productivity and achieving strong economic growth that will lift future living standards.

We recommend the government sets out its tax reform priorities and begins consultation in this budget.

Recommendation 25

Fund a review of the Australian tax system including a comparative analysis of Australia against other advanced economies.

Recommendation 26

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

Detail

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

There is substantial research published by academic institutions, policy experts and non-government stakeholders that provides further insights and potential solutions. However, Australia does not have a clear plan to address the structural challenges and more costly, contentious and/or politically difficult aspects of our tax system.

Chief among those structural challenges is Australia's dependence on personal and corporate taxes. This 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 must be a central consideration in any review of the tax system. Such changes should improve the efficiency of federal taxes and allow the states to progress necessary reforms.

Fringe benefits tax should also be reviewed, given the large tax gap and the known challenges in applying and complying with the regime.

Other key issues that should be considered include:

- an evaluation of the effectiveness of key tax policy settings
- an assessment of the relevance of recommendations from earlier reviews
- improving payroll tax reporting nationally.

Transparent public consultation on these and other issues is essential for the government to find the most practical and impactful reforms.

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

Recommendation 27

Retain the legislated Stage 3 income tax cuts

The upcoming changes to personal income tax brackets and the consolidation of the rates will benefit millions of Australians earning more than $45,000 in taxable income.

The adjustment for bracket creep was already necessary when the cuts were legislated. Australia's recent high inflation reinforces the need for these changes as mortgage payments and prices for basic items continue to rise.

Targeted tax changes

There are opportunities in this budget for targeted changes to the tax system to support taxpayers and the economy in the coming years.

Recommendation 28

Legislating a fixed rate method for work from home (WFH) deductions.

The ATO's revised fixed rate for WFH expenses is an administrative method and cannot be used as a valid approach at objection where the Commissioner must apply the general principles (section 8-1). To improve certainty and clarity for the ATO and taxpayers, a legislated fixed rate method for WFH expenses should be introduced. This should be similar to the cents per kilometre method for motor vehicle expenses (Division 28 of the *Income Tax Assessment Act 1997*).

This measure should also address the current uncertainty about the ability to deduct WFH expenses without a dedicated space, absent the revised fixed rate.

Recommendation 29

Progress consultation and implementation of the recommendations from the Review of the Tax Practitioners Board (TPB).

Progress on the Review recommendations should continue, including further work on the Exposure Draft legislation published in 2022 and development of the sanctions framework.

Additional funding should be considered for the TPB to effectively implement the proposed reforms.

Recommendation 30

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. Mismatches created by clearing house and other timing issues outside the control of the employer should be addressed.

Recommendation 31

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 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 32

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.

Recommendation 33

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.

Retirement savings reform

Summary

As Australia's superannuation system matures and balances grow, greater consideration will need to be given to what is an adequate level of retirement savings for average Australians. The level, sustainability, and equity of concessions provided to encourage retirement savings and the taxation of superannuation need to be considered.

This can only occur once an objective for superannuation – and retirement savings – is clarified.

It is important that Australia's retirement income system be properly equipped to deal with its primary purpose - retirement. We welcome the government's announcement that there is to be a consultation on an objective for superannuation.

In addition to superannuation, the retirement savings system also encompasses the Age Pension, non-superannuation investments including the family home, and aged care.

A clearly articulated objective for superannuation and the retirement savings system more broadly will aid in more careful consideration of future policy settings. This includes the taxation of superannuation, the concessions provided to encourage superannuation savings and early access to superannuation.

Our view is that the time is right to ensure that the sole purpose of superannuation – to provide benefits to members in retirement – is reaffirmed to minimise leakage from superannuation unrelated to retirement and to provide certainty regarding the use of retirement savings held in superannuation. This will help ensure that Australians enjoy the standard of retirement for which they had planned.

Further, issues regarding equity, concessions and taxation cannot be made in isolation and should form part of the broader discussion around reform of the Australian taxation system.

Recommendation 34

A commitment to legislation which underpins the agreed objective of superannuation and minimises use of superannuation monies for matters unrelated to retirement.

Recommendation 35

Considerations regarding the equity, taxation and the concessions provided to encourage superannuation savings are included in any future review of the Australian taxation system.

Targeted changes to encourage savings and investment

Summary

In addition to strengthening the integrity of superannuation, we 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 need to support and encourage innovation and increase productivity through targeted investment incentives.

We also note the increasing compliance costs for regulated superannuation funds.

There are opportunities in this budget for targeted improvements to Australia's retirement to support the community and the economy in the coming years.

Recommendation 36

Pay superannuation guarantee contributions on paid parental leave.

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 than fathers to take time off to care for children.

The Retirement Income Review investigated paying superannuation on parental leave and found it would help reduce the gap. The Productivity Commission also recommended paying super on parental leave.

Recommendation 37

Legislate to make financial advice fees tax deductible.

Seeking advice is expensive and the ability to fully deduct the cost of advice upfront rather than capitalising the expense will help Australians plan for their future.

A specific provision for the deductibility of financial advice fees, like the deduction for tax-related expenses (section 25-5 of the *Income Tax Assessment Act 1997*), should be introduced.

Recommendation 38

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

The Intergenerational Report highlighted that Australia's real GDP is likely to grow at a reduced rate of 1.5 per cent per annum, compared to the 1.6 per cent which Australia has achieved over the past 40 years.

Areas where Australia's performance could improve were identified in the report as skills, infrastructure and digital transformation. We believe that targeting these areas for investor incentives will better stimulate the necessary growth needed to improve Australia's productivity performance.

Simultaneously, we recognise that several incentives require a longer period to come to fruition than the period that businesses funding them can provide. Since superannuation funds are better equipped to match payoff cycles of long-term investment with the investment time horizons of their members, we recommend the introduction of a range of financial incentives aimed at improving the availability of funding options for businesses looking to improve their productivity and Australians looking to improve their skills.

Recommendation 39

Consideration of a range of policy measures aimed at encouraging savings outside of the superannuation system.

CPA Australia has long supported the role that tax and social security concessions play in motivating Australians towards responsible saving for retirement. However, we note there are very few incentives for saving over the short-term and mid-term. The government could consider investment vehicles designed for shorter terms and better assistance for Australians seeking to obtain financial advice.

Modernising Business Registers

Summary

The Modernising Business Registers (MBR) program is a transformational program addressing decades of underinvestment in data systems by successive governments. It will create future administrative efficiencies for the community, regulators and government as data is verified and consolidated across government systems.

The additional funding required should be included in this budget to ensure a smooth and functional transition of ASIC registers and search services and to ensure the registry can be easily expanded or changed to meet future needs.

Recommendation 40

Increase funding for the Modernising Business Registers program to ensure current and future initiatives under this program can be successfully implemented at greater speed.

Detail

The MBR program should be suitably funded to enable a proper transition of legacy systems and to ensure its interface is future proofed.

Current initiatives like the migration of the Companies Register should be well-resourced and supported. This budget should also provide funding for the build of future registry functions. This includes the proposed Beneficial Ownership Register, registries of regulated entities and the migration of other federal and state government business registers (e.g. trading names).

While costly, this is a significant investment in supporting the digital transformation of government and easing administrative burdens on the community.

We are already experiencing short term benefits from the program in terms of responding to fraudulent phoenix risks and improved data integrity.

The project should also bring more into the myGovID/online government services environment, which will improve user experience and reduce administrative expenses.

Recommendation 41

The TPB be given the responsibility to register and regulate Australian Business Registry Services (ABRS) agents.

As part of the MBR program, the TPB should be given the responsibility and commensurate funding for registering and regulating ABRS agents.

This would reduce regulatory costs and red tape by extending the existing legislative and administrative framework for tax practitioners to include ABRS agents. This eliminates the need for an agent regulatory function within the ABRS. Also, it consolidates registration requirements for advisors and provides strong consumer protections.

Reducing regulatory pressure and improving public service delivery

Improving stakeholder engagement

Summary

Effective stakeholder engagement by government is essential to good policy development and its successful implementation, as well as 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 be avoided.

To improve stakeholder engagement and coordination, CPA Australia recommends that this budget provides funding for the establishment of dedicated stakeholder engagement teams/functions within every government agency (where they currently don't exist). Such teams should:

- oversee the effectiveness and inclusiveness of consultations
- coordinate the timing of consultations to avoid conflicts and mitigate unnecessary peaks
- provide advice on process improvement and assess effectiveness
- ensure transparency around the progress of policy initiatives.

Recommendation 42

Fund the introduction of dedicated stakeholder engagement teams/functions within government agencies.

Detail

While the Federal Government, and especially the ATO and Treasury, are generally good at stakeholder engagement, there is room for improvement. The quality and consistency of government consultation processes varies, including the time given to respond. Additionally, running multiple consultations at the same or similar times affects the ability of interested parties to provide considered and useful feedback.

Insufficient and ineffective stakeholder engagement increases the risk of poor policy development, unintended consequences and implementation issues. It can also affect 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 government and often rely on small numbers of people who manage multiple portfolios.

Dedicated engagement teams in government agencies should:

- coordinate the timing of consultations across the agency (and with related agencies), ensuring stakeholders have sufficient time and capacity to respond
- ensure a variety of ways stakeholders can provide feedback
- measure the effectiveness and inclusiveness of consultation processes
- develop innovative approaches to engagement
- advise the agency on process improvements and best practice.

Regulatory reforms for the NFP and charities sectors

Summary

The Australian NFP sector plays a vital role in delivering critical health, education and other support services to communities across Australia. We commend the Australian Government for its renewed efforts to improve NFP regulation.

We recommend this budget include measures that simplify and streamline the regulation of the NFP sector, especially in fundraising and reporting obligations.

Recommendation 43

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

Detail

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

A simplified and consistent financial reporting framework applied to all NFPs across Australia will make it easier for smaller NFPs to meet their accountability and transparency obligations. Much has been achieved in aligning financial reporting requirements across Australian jurisdictions but several differences remain leading to unnecessary duplication.

We note the ongoing project of the Australian Accounting Standards Board to develop a simplified financial reporting framework for smaller NFPs.

Developing standardised and scalable disaster support for business

Summary

Natural disasters brought on by climate change will occur with increasing frequency and severity, yet there is no standard form of direct government assistance for affected business. This delays the delivery of support following a disaster. It also adds to the work pressures on our members as they must learn about each new disaster support program to help their small business clients and employers.

We recommend that this budget includes funding for the development of a standardised and scalable disaster support package for business to deploy in all future disasters. This would allow for a quick distribution of business support based on robust analysis.

Recommendation 44

Fund the development of a standardised and scalable disaster support program for business.

Detail

A standardised and scalable disaster support package for business would speed up the delivery of appropriate support to business and individuals affected by future disasters. This would provide greater certainty at times where business and individuals could be facing significant distress.

Having a ready-made disaster support program for business, which is based on robust risk analysis, would enable future governments to implement tried, tested and sound disaster support quickly. It would also help advisers quickly aid their small business clients to apply for the support as they wouldn’t have to learn about new programs or manage differing requirements.

Such support should be able to be scaled up or down in response to the nature and size of the disaster.