2020-21 FEDERAL BUDGET RECOMMENDATIONS

August 2020

CPA AUSTRALIA

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Introduction

CPA Australia represents the diverse interests of more than 166,000 members working in over 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

The widespread economic and societal impact of the COVID-19 pandemic is unprecedented for most of us and will be felt for many years to come. The Government's response in swiftly announcing and rolling out programs to support businesses and employment was appropriate due to the great uncertainty created by the pandemic.

However, many Australian businesses face a significant threat to their existence, especially with the imposition of Stage 4 restrictions in Greater Melbourne by the Victorian Government. This will no doubt lead to widespread job losses. Also, there is every likelihood that we will see similar restrictions imposed in other jurisdictions for extended periods in response to future localised outbreaks.

While current business support measures such as the JobKeeper Payment will limit job cuts and business closures, the government should consider announcing new and enhanced temporary support measures in this Budget. These measures should aim to not only support businesses impacted by the current Greater Melbourne restrictions but should be structured so they could be quickly rolled-out in other jurisdictions if the need arises.

Outside of the Greater Melbourne region, many businesses are emerging from the COVID-19 crisis. However, for most it will not be a return to business as usual. Therefore, the Budget should focus on policy measures that encourage and support business recovery and reinvention. This requires government giving businesses the space, time and resources to adjust to the new environment. Having access to professional advice is essential to that recovery and reinvention.

In addition to the economic impacts of COVID-19, it is important to recognise that Australia also faces other large-scale challenges, including an ageing population, increasing international competition, low levels of productivity growth, digitisation, increasing geopolitical uncertainty and climate change, with related increases in the frequency and severity of natural disasters.

CPA Australia believes that the key objective of this Budget should be to fund policies that support productivity, employment and GDP growth without compromising long-term environmental sustainability. This should be done through:

- providing additional temporary support to businesses impacted by the Stage 4 restrictions in Greater Melbourne
- providing longer-term support to encourage business recovery and reinvention
- improving Australia's international competitiveness
- addressing the impacts of climate change.

We propose the following recommendations to assist Australian business to weather the current economic challenges, improve livelihoods, increase competitiveness and help address the challenges of climate change.

If you have any queries, please do not hesitate to contact Gavan Ord, Manager Business and Investment Policy at CPA Australia on gavan.ord@cpaaustralia.com.au or 03 9606 9695.

CPA Australia – Federal Budget Recommendations

In our submission to the Senate Select Committee on COVID-19, we recommended that the following principles drive the development of policy responses to support business recovery and economic growth. These should also be the policy principles for framing this Budget:

- Recovery and growth need to be environmentally sustainable
- A global focus needs to be maintained. Protectionism should be avoided
- Recovery and growth need to be effectively funded
- Stimulus and support measures should be sector neutral.
- Policy development should be holistic. Measures should not be considered in isolation
- Stimulus and support measures should be withdrawn in an orderly and tapered manner
- Measures need to be efficient, effective and sustainable
- Certainty is required in the implementation, operation and timeframes of new measures.

Given the magnitude of the economic pain being felt by many due to the restrictions imposed, a considered, calm and steady approach to policy development post-COVID-19 is required.

We are concerned that there is a risk that elements of government will push through policy work that started prior to, but has been delayed due to, COVID-19. While some of that work is no doubt urgent, not all delayed work should be immediately re-started and progressed with haste. Given the significant change wrought by the pandemic it would be beneficial for the Government to reset and reprioritise its policy objectives in consultation with the community.

In determining policies and policy priorities, the Government must remain clearly focused on the fact that many businesses and not-for-profit organisations (NFPs) are struggling for survival. They do not have the capacity to implement or adapt to new policies or regulatory requirements, no matter how well meaning. A slow and steady approach to rolling out new policies is needed, with priority given to those policies that are most important for the economic recovery. Such policies are the focus of the recommendations set out below.

Some of the following recommendations were also included in our pre-budget submission in February.

RECOMMENDATIONS

CPA Australia provides a number of insights and recommendations for supporting business and economic recovery and growth.

SUPPORTING GROWTH

The key objective of this Budget should be to fund policies that support productivity, employment and GDP growth without compromising long-term environmental sustainability

SHORT-TERM MEASURES TO STIMULATE THE ECONOMY

Incentivise business to access professional advice

Increase cash flow support to business

Increase spending on repairs and maintenance

Reduce government fees

Tax cuts

MEDIUM-TO-LONGER TERM SUPPORT FOR BUSINESS RECOVERY

Increase support for digital transformation of business

Encourage personal savings and investment

Encourage business investment

Support exporters

REFORMS TO IMPROVE COMPETITIVENESS

Red tape reduction for accountants

Increase support for Not-for-Profit Organisations

Improve the Government's disaster preparedness

CLIMATE CHANGE INITIATIVES

Fund the development and implementation of a long-term climate change strategy

Increase funding for the development and deployment of green technologies

Short-term measures to stimulate the economy

Incentivising business to access professional advice

The ability of businesses to access professional advice goes to the heart of business managing through the crisis, to business recovery and to adapting for the new environment. Adaptation of business to the post-COVID-19 environment will take time and require support. For those businesses unable to afford professional advice, the risks of business failure are likely to be higher.

To support business through the Stage 4 restrictions, and ultimately recovery and transformation, we recommend that the government allocate funds in this Budget to provide financial support to small business to access professional advice. Such professional advice may hasten economic recovery and jobs creation. To deliver the professional advice required by many tens of thousands of businesses the government needs to leverage the capacity of existing private sector advice providers.

Australian Taxation Office research has found that private sector advisory providers, especially accountants, are many times more accessed and used by business, than government, as a source of business advice. While there is an important role for government to play in encouraging and supporting business, the effectiveness of government action is considerably enhanced if governments encourage small businesses to consult their professional adviser, rather than providing the advice themselves or through a contract arrangement. Incentivising business to seek advice from their professional advisers also reduces the risk that businesses will be unprepared when government and private sector support is withdrawn.

We note that Tasmania's Business Continuity Grant helps a business fund specialist accounting, legal or business planning advice on maintaining solvency, cashflow projections, managing financial risk, diversifying/pivoting the business enterprise and adding value to products and services produced by the business. Such financial support could be delivered in any number of ways, including grants or vouchers.

Recommendation:

- *The Government allocate significant funding to encourage business to seek advice from their existing professional adviser to assist them adapt to a changing business environment.*

Creating Jobs

One of the great challenges emerging from COVID-19 is how to create jobs, especially for younger, less experienced workers. Experience shows that it can be some time after a recession ends before youth unemployment and long-term unemployment comes down. We also expect that there will be spikes in unemployment when stimulus measures cease and other government, banking and landlord support is withdrawn.

While education and training are essential, there needs to be jobs available for people once they complete their training. As an interim measure, the government should consider increasing the size of its workforce, especially in roles that younger people can fill. As an example, in Singapore's most recent supplementary budget, it announced that the public sector is creating 15,000 jobs in 2020 by bringing forward its hiring in areas such as early childhood education, health and long-term care, as well as filling short-term needs related to COVID-19. Also, we note that the ACT government has increased its hiring.

The Federal Government should consider bringing forward its planned hires.

Recommendation:

- *The Government bring forward its planned hiring, especially in roles that young people can fill.*

Extending the $10,000 bushfire recovery small business grant to small businesses impacted by the Stage 4 restrictions

The Federal Government should consider extending its $10,000 grants for small businesses impacted by recent bushfires to small businesses impacted by Stage 4 restrictions. As with the bushfire recovery grant, the Federal and State governments concerned should jointly fund the extension. It is important that the grant be open to all small businesses, including sole traders and those businesses operating through partnerships or trusts. Current Victorian grants exclude these businesses.

The conditions for accessing the grant should be modified from a 40 per cent decline in turnover to a 30 per cent decline in turnover. Moreover, we do not recommend that receiving JobKeeper payments should be a condition for receiving the grant. This would allow the grant to flow to businesses that did not apply for JobKeeper due to cashflow concerns.

Those new to business and those outside declared restriction areas should also be eligible for the grant if they can prove significant hardship.

Recommendation:

- *The Government, in collaboration with the relevant State governments, allocate funds to extend the current $10,000 grant for small businesses impacted by recent bushfires to businesses impacted by the Stage 4 restrictions.*

Deliver support payments to new businesses

There are many new businesses and start-ups that had an active ABN as at 12 March 2020 but did not enrol for JobKeeper payments based on the rules. Similarly, there are new businesses that were in operation as at 12 March 2020, that had made taxable supplies and were reporting PAYG withholding amounts, that did not qualify for cash flow boost payments due to the notice requirements.

Our members who provide professional services to new business and start-up clients regularly advise of the negative impact of COVID-19 on new business and start-up operations, as well as concerns about the inability to access existing support and uncertainty as to whether their businesses will be able to survive. We recommend that the government consider either changing the rules for JobKeeper to allow those new to business to access the payment or to offer a new form of support to such businesses.

One option is to allow those new to business that are ineligible for the JobKeeper payment or the cash flow boost to receive a payment equal to 100 per cent of total liabilities reported in the June BAS (GST, PAYG instalments, PAYG withholding tax and other taxes), to a maximum of say $50,000, and a minimum credit, of say $5000, even if the amount required to be paid is zero or the business is in a refund position. The credit should be applied to reduce any outstanding liabilities arising from the activity statement, with any excess credit being refunded to the business.

Recommendation:

- *The Government consider providing direct financial support to new small- and medium-sized entities (SMEs) that were ineligible under current rules for JobKeeper and the Cash Flow Boost.*

Increase public spending on repairs, maintenance and preservation works of public infrastructure

Infrastructure spending often plays an important part in fiscal stimulus. However, given both the often-long lead times for many large-scale infrastructure projects, and the current infrastructure capacity constraints being felt in some areas, the stimulatory benefits are typically not immediately felt.

To have a more immediate impact on the economy in the forthcoming appropriations period, we recommend that the Government include in the budget a substantial increase in funding for repairs, maintenance and preservation works on public assets, with preference given to awarding contracts to local trades business.

Analysis by Ernst and Young (EY) suggests that infrastructure maintenance creates almost double the number of direct jobs per dollar spent, than road and bridge construction. Further, EY estimates that $1 billion of spending on repairs and maintenance should have a combined value-add of $800 million to Australia's economy.

A focus of infrastructure spending could result in the better utilisation of existing infrastructure and extending the life of such infrastructure, which can reduce public spending in the long-term.

Recommendation:

- *The Government significantly increase funding for repairs, maintenance and preservation of public assets.*

Bringing forward income tax relief for individuals

Bringing forward income tax cuts should provide a boost to the economy by giving taxpayers more disposable income. This may be more effective if the cuts are retrospectively applied from 1 July 2020. As many small businesses are unincorporated, these businesses would directly benefit from such tax cuts.

Immediate tax relief could also be delivered through retrospectively increasing the low and middle income tax offset (LMITO) for the 2019-20 income year. Eligible taxpayers would get an immediate boost when their 2019-20 tax return is processed.

Recommendation:

- *The Government bring forward tax relief for individuals through income tax cuts from 1 July 2020 and/or an increase in the LMITO for the 2019-20 year.*

Reducing or removing government fees

Many State and Territory governments have either reduced or waived fees they impose on business to assist them through COVID-19. However, to date, the Federal Government has not reduced its fees on business.

To increase money available to small business, the Federal Government should use the Budget to announce the reduction or removal of various fees it imposes on business, especially small business. For example, the Government should reduce or preferably remove:

- *fees imposed under ASIC's industry funding model, including fees imposed on Australian Financial Services License holders and self-managed superannuation fund auditors*
- *fees imposed by the Tax Practitioners Board on tax practitioners, and*
- *the fee imposed for ASIC registry searches.*

Recommendation:

- *The Government reduce and/or remove the fees it imposes on business, including fees imposed under ASIC's industry funding model, the fees imposed by the Tax Practitioners Board and ASIC registry search fees.*

Managing the surge in insolvencies

It is highly likely that there will be a surge in the number of insolvencies due to the economic downturn. To help make this surge manageable and to better protect the rights of creditors, we suggest an increase in the Assetless Administration Fund administered by ASIC, or the development of a new support measure to support insolvency practitioners in the wind up of assetless companies.

Recommendation:

- *The Government fund a program to support insolvency practitioners wind up assetless companies in distress.*

Medium-to-longer term measures to support business recovery and reinvention

Digitising small business

CPA Australia's annual [Asia-Pacific Small Business Survey] shows that Australian small businesses are typically well behind their counterparts in Asia in terms of their digital capability, management capability and understanding of overseas markets – all which the survey results show are drivers of growth.

Over the past 11 years, we have surveyed over 27,000 small businesses across the Asia-Pacific, This digital gap between small business in Australia and Asia is likely to have contributed towards Australia's small businesses reporting lower growth than their peers in the region. In turn, this is likely to have contributed towards Australia's small business sector being the least likely in the region to have increased employee numbers every year since 2014 (only 8.8 per cent of Australian respondents reported that they increased employee numbers in 2019 compared with the survey average of 32.5 per cent).

For policymakers and others seeking a swift recovery of Australia's small business sector from COVID-19, improving the digital capability and capacity of the sector is essential. With a large majority of Australia's small businesses having less than five employees, the role of external professional advisers will be critical in building such capability.

It is important to note that the impact of COVID-19 restrictions has already changed how many businesses deliver their products and services to clients, including shifting to online. While this is positive, the sector is starting its journey to online from a long way behind their peers in the region.

Recommendations:

- *The Government consider developing new programs, and significantly increasing funding for existing programs, that assist small businesses improve their capability and capacity to digitally transform their business.*
- *The Government consider providing direct financial support for small businesses to engage approved e-commerce platforms on which to sell their products and services.*

Introduction of an investment allowance

In the absence of a general cut to the corporate tax rate, CPA Australia supports the introduction of a broad-based investment allowance applicable to all investment depreciable under current tax law.

An investment allowance should lead to an increase in business investment, which should in turn assist in improving productivity over the longer-term. An appropriately designed and implemented investment allowance should encourage the bringing forward of planned investment and should see some investments, that would otherwise not have been undertaken in the current economic climate, proceed. For simplicity, such an investment allowance should be broad and leverage existing concepts in tax law. That is, Division 40 of the Income Tax Assessment Act 1997 could be used to set the scope of the allowance.

The allowance could take the form of an additional tax deduction or an accelerated tax deduction, which brings forward the timing of depreciation deductions. We note that an additional tax deduction over and above the cost of the asset would be more beneficial to taxpayers than bringing forward the timing of depreciation deductions, and may produce greater economic benefits.

CPA Australia supports the introduction of some form of broad-based investment allowance and recommends the Government model the costs and benefits of both potential forms of benefit to determine which one will have the greatest benefit.

Recommendation:

- *The Government introduce a broad-based investment allowance for all businesses.*

Encouraging saving and investment

More than three million Australians have accessed their superannuation in response to the COVID-19 pandemic, with an estimated $31 billion withdrawn1. Making up for this withdrawal may take these Australians decades. As demonstrated by the more than one million Australians accessing their superannuation for a second time, what happens if there is a third, or even a fourth wave, of the pandemic? How many people will exhaust their superannuation balances? Looking beyond pandemics, what will happen if there is another large crisis in the short-to-medium term? Arguably, a question of equity may arise over the longer term when wealthier Australians are able to fund future lifestyles from their retirement savings, while less wealthy Australians will have much lower levels of retirement incomes as a consequence of having accessed these funds prior to retirement.

The issue of accessing savings designed for retirement comes at a time when the superannuation system has been subject to other early access measures which are not generally regarded as retirement related. In addition to the COVID-19 early access, there have been measures such as the First Home Super Saver Scheme and the proposed conditions for early release for victims of domestic or family violence. These measures are demonstrably not related to retirement but have been identified by policy makers as important matters for Australians to be able to make decisions that trade away their potential retirement security.

There are other jurisdictions which use retirement income systems for non-retirement related purposes, such as housing or health insurance. The outcomes for these systems are suboptimal compared to systems around the world 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.

In our submission to the Retirement Income Review, we note that the term retirement has not been defined by government, either in that review consultation paper or anywhere else. We also noted that the objective of superannuation, originally to have been legislated in 2016, has neither been established nor is well understood by Australians.

CPA Australia underlines how important it is that our retirement income system be properly equipped to deal with what it is that it is supposed to support: Retirement. An appropriate definition of retirement will assist in more careful consideration being given to whether the superannuation system should be accessed in the first instance at times of crisis in the future. A definition would also assist policy makers in the design of a potentially more appropriate contingency planning framework which could be used for future pandemics and other shocks to Australia.

Following the high level of early access of superannuation, many Australians will need additional support to rebuild their retirement savings. The Government should consider a range of options, including confirming its commitment to the legislated increase to the Superannuation Guarantee rate, the timings of which needs to balance the range of potential benefits and costs. Other measures to encourage Australians to rebuild their superannuation balances include:

- *A limited amnesty for Australians who accessed their superannuation in error to ensure that they can repay funds without penalty*
- *Limited relief in the form of higher contribution limits for Australians who have accessed their superannuation to ensure that they are able to accelerate topping up their superannuation balances*
- *A co-contribution scheme for affected fund members to ensure that the time-value of money is properly factored in to topping up measures*
- *An increased Total Superannuation Balance limit (currently set at $500,000) for taxpayers who have accessed their superannuation and who wish to utilise the carry forward of unused concessional contributions.*

Australia's income tax system continues to penalise taxpayers in relation to the tax treatment of income derived from savings outside the superannuation system.

This discourages non-superannuation savings and investment. Superannuation's tax-preferred status has enabled it to become the primary savings vehicle for most Australians. This has been beneficial for retirement savings, but it fails to recognise the necessity for individuals to save income outside of superannuation to afford major

[1] As at 9 August 2020. https://www.apra.gov.au/covid-19-early-release-scheme-issue-16

capital purchases during their working life, amongst other things.
If income derived from savings was taxed at a rate that was lower than an individual's marginal personal tax rate, this would encourage greater savings and investment outside of superannuation. It may also encourage investment in assets other than the family home or residential property more broadly.

Australia's Future Tax System report proposed a 40 per cent savings income discount available to individuals, for non-business-related net interest income, net residential rental income (including related interest expenses), capital gains (and losses), and interest expenses related to listed shares held by individuals. If implemented, this proposal may make investments outside of residential property (not the family home) and superannuation more attractive.

Recommendations:

- *The Government announce measures to encourage Australians to top up their superannuation, including:*
- *A limited amnesty for Australians who accessed their superannuation in error to ensure that they can repay funds without penalty*
- *Limited relief in the form of higher contribution limits for Australians who have accessed their superannuation to ensure that they are able to accelerate topping up their superannuation balances*
    - *A co-contribution scheme for affected fund members to ensure that the time-value of money is properly factored in to topping up measures*
    - *An increased Total Superannuation Balance limit (currently set at $500,000) for taxpayers who have accessed their superannuation and who wish to utilise the carry forward of unused concessional contributions.*
    - *A commitment to the legislated increase in the Superannuation Guarantee rate to 12 per cent, the timings of which needs to balance the range of potential benefits and costs; and*
    - *Formulation of a definition of retirement.*
- *The Government introduce a 40 per cent savings income discount for individuals for non-business-related net interest income and net residential rental income.*

Export assistance

An emerging challenge for Australian businesses is the rise of protectionist policies in other jurisdictions and heightened geopolitical tensions. As such, it would be beneficial for business and the broader economy if the Government was to expand existing export support measures and introduce new initiatives that sustain and increase Australian exporters' access to as many markets as possible. We note that in the recent New Zealand Budget, New Zealand Trade and Enterprise (NZTE) had its funding increased by NZ$216 million to assist it to expand the scope and intensity of support provided to New Zealand's exporting firms.
As a matter of urgency, the Government should consider how it can best support exporters diversify their markets. Following the New Zealand lead, a substantial funding increase to Austrade is essential to allow it to significantly enhance the support it provides to exporters and those considering exporting. Further, the Government should increase its funding of DFAT to initiate and progress more free trade agreements.
The Government may also wish to consider whether the Export Market Development Grant remains adequate and if its current design fits a post-COVID-19 environment where reduced travel may alter export promotion. Government programs that support digital transformation of business should include supporting exporting to new markets.

Recommendations:

- *The Government develop or enhance existing measures such as the Export Market Development Grant to support Australian exporters, including to support them diversify their markets.*
- *The Government increase funding of Austrade to assist it to expand the scope and intensity of its support to Australian exporters and those considering exporting.*
- *The Government increase funding of DFAT to initiate and progress more free trade agreements.*

Improving support for small business

Small businesses could be supported by making the instant asset write-off a permanent feature of the tax system. The annual extension of the measure creates uncertainty for small business, particularly where the amendment to the law is passed after its commencement date. Making it a permanent feature of the system would remove that uncertainty.

As with the bushfire concessional loans for small business, the State and Federal governments could jointly fund concessional loans to viable small business in selected local government areas to which Stage 4 restrictions apply where those businesses can demonstrate they have been significantly impacted by COVID-19. As with the bushfire concessional loans, there should be no repayments or interest for the first two years, and a concessional rate for the remaining term of the loan.

The applications should be administered through the same process as the bushfire concessional loans, with the eligibility criteria based on that for the bushfire concessional loans, with appropriate modifications. These modifications could include the concessional loan replacing JobKeeper payments on a prospective basis

Recommendations:

- *The Government make the current instant asset write-off a permanent feature of the tax system.*
- *The Government, in collaboration with the relevant State governments, extend the current small business concessional loans for bushfire-affected businesses to businesses impacted by the Stage 4 restrictions.*

Regulatory reform to support moving to an online and paperless business

Disruptions caused by the COVID-19, which has led to many businesses transitioning to operating in an online, paperless world, have demonstrated the crucial need for regulatory reform. Regulators have been required to provide temporary regulatory relief to remove barriers that enable companies to meet their reporting and governance obligations. Businesses would have been hamstrung by requirements such as the need for wet signatures and physical annual general meetings (AGMs), if it was not for this relief.

To support businesses embrace the efficiencies and experience of using technology and moving to a paperless office and remote working, these temporary relief measures should be permanently adopted. This includes virtual AGMs, acceptance of electronic signatures and electronic lodgement of forms and data without the need for retention or submission of hardcopies.

There are a range of paper based regulatory forms, document storage requirements and processes with hard copy signatures required that add to the regulatory burden and undermine economic stability and growth. Further, the uptake of technology by various government departments is varied. For example, the ATO has extensive technology platforms and mandated electronic lodgement for most reporting and lodgement requirements. Tax agents engage with the ATO online, which in turn uses the data obtained for powerful data analytics to enable more effective regulation. In contrast, ASIC still has a number of paper-based forms.

Recommendation:

- *As part of the Government's deregulation agenda, a one-off investment should be considered to upgrade regulator technology infrastructure to help support and regulate the economy in moving to an online world. Importantly, the costs of such reform cannot be passed on entirely to industry, e.g. as the ASIC Industry funding model would do, as such reform benefits the whole economy and not just particular sectors.*

ASIC funding model

The pandemic crisis has demonstrated shortcomings with the ASIC industry funding model. Firstly, many industry participants, such as insolvency practitioners, SMSF auditors and financial advisers, have had their 2018-19 fees due at the height of the crisis, as their business revenue has fallen significantly. Secondly, the ASIC funding model is directly impacting the supply of practitioners, with many practitioners exiting their industries as a result of the cost of regulation. As greater numbers of practitioners exit due to the impact of the pandemic, a smaller pool of participants remain to share ASIC's costs, thereby exacerbating the problem of increasing regulatory costs. At the same time, regulatory costs are likely to increase in response to the pandemic. CPA Australia is particularly concerned about the potential impact on the supply of insolvency practitioners, when access to their services will be critical during the post-pandemic recovery phase.

CPA Australia does not support the full cost recovery model of the ASIC industry funding arrangement and has previously recommended that the government instead explore a partial cost recovery model2. We have outlined in our submissions to Government a number of reasons for this position. However, the two reasons that are particularly relevant given the current pandemic crisis are that the full cost recovery model fails to recognise:

- the impact on the financial viability of those that need to pay the charges, particularly small businesses, and
- the cumulative effect of other government activities on those having to pay fees.

Recommendation:

- *The Government moves away from the full cost recovery funding model for ASIC's regulatory fees and instead implements a partial cost recovery model. This will require the Government to reinstate some funding previously cut from ASIC's budget.*

[2] CPA Australia submission to Treasury in response to the ASIC industry funding model consultation paper, December 2017

Reforms to improve competitiveness

Reduce the regulatory burden faced by accountants

Regulatory complexity is placing a significant burden on accountants in public practice, which has flow-on effects for the community. The complex, multi-layered nature of Australia's current regulatory environment, especially the regulation of financial planning advice, is alienating many consumers and small business – the very people it is seeking to serve – while also placing substantial strain on accountants in practice who operate under these regimes.

For example, in relation to financial advice, advisers must comply with the Corporations Act, the Tax Agent Services Act, the National Consumer Credit Protection Act, plus there are obligations imposed under the ASIC Act and the Financial Adviser Standards and Ethics Authority (FASEA), amongst others. Often there is no harmonisation between these regulatory frameworks, and sometimes even within these frameworks. Depending on how the licensing and registration system is set up, an accountant in practice may need to hold multiple licences and/or registrations to be able to provide one piece of advice.

CPA Australia's research found that almost 90 per cent of accountants in practice believe the compliance burden of differing legislative frameworks is a concern, with less than a quarter say they have a clear understanding of their obligations. Further, regulatory complexity increases the costs many Australians pay each year to access the services of accountants, with almost 50 per cent of practitioners stating that they increased fees in the past year to cover increasing compliance costs.

This increasing regulatory complexity and inconsistency is happening at a time where the financial services sector is experiencing a major structural adjustment, with service providers exiting the sector in significant numbers. The impact of this structural adjustment is a growing advice gap, which disadvantages those who need financial advice in a world of increasing complexity and with an ageing population. A holistic review of financial regulatory frameworks is urgently required.
CPA Australia and other professional bodies have a shared goal of a regulatory environment that enables the community to access the advice its need and to be able to fully understand that advice.

Recommendation:

- *The Government fund a holistic review of the regulatory frameworks for financial planning advice, with the objective of such a review to ensure regulation is fit for purpose.*

Support for Not-for-Profits and Charities

The COVID-19 pandemic has highlighted many shortcomings in Australia's approach to NFP regulation. A rejuvenation of the NFP and charities reform program is urgently needed.

A decentralised regulatory framework that relies on State and Territory-based regulations, as well as Commonwealth laws, has meant that different approaches have been adopted by regulators to provide relief and assistance to the NFP sector. For example, the approach to deferrals on financial report lodgement has differed between no relief to six-month blanket deferrals, depending on how the organisation is structured and in which jurisdiction it is based.

The current crisis has highlighted the increasingly important need to hasten regulatory reform and red-tape reduction in the NFP sector. On 6 March 2020 the government responded to the recommendations by the Australian Charities and Not-for profits Commission (ACNC) independent review panel to reform charity law and regulations. One of the key themes in the government's response was "reducing red tape", which is also one of the three primary objectives of the ACNC. We recommend that the government fund the implementation of the proposed improvements to ACNC legislation to further red-tape reduction and streamline charity regulation.

Although the government's response did not support broadening the regulatory oversight of the ACNC beyond charities to the wider NFP sector, we believe that a roadmap should be developed to achieve a streamlined and consistent NFP regulatory framework in Australia.

Furthermore, as we emerge from the crisis it is important that there is adequate funding made available to the sector to ensure an uninterrupted delivery of health, education, disability care, aged care and other essential services. Support is also required to build NFP capability and capacity to choose, implement and leverage the right technology in the post-COVID-19 environment. Recommendations made in this submission on the digitising of business are applicable to the NFP sector to assist NFPs to build capability and capacity to invest in the most appropriate technologies for their organisation, make greater use of social media, and establish or make greater use of online platforms.

Recommendations:

- *The Government fund the proposed improvements to ACNC legislation to further red-tape reduction and streamline charity regulation.*
- *The Government ensure sufficient funding arrangements are in place to assist NFPs and charities carry out essential services to support the most vulnerable members of Australian society as we emerge from the pandemic.*
- *The Government provide support to assist the NFP sector to build the capability and capacity to invest in the most appropriate technologies for their business, make greater use of social media, and establish or make greater use of online platforms.*

Developing standardised support for businesses impacted by disasters

CPA Australia's submission to the National Natural Disaster Arrangements Royal Commission argued that governments should develop standardised support for business and individuals that can be quickly activated in response to a disaster. Such support should be able to be scaled up or down following a well-developed formula, in response to the nature and magnitude of the disaster. This would expedite the delivery of appropriate support to business and individuals impacted by a disaster, providing greater certainty at a time where business and individuals could be facing significant distress.

Having an off-the-shelf, scalable disaster support plan for business that is grounded in robust risk analysis would enable future governments to implement tried, tested and sound programs quickly in times of disaster with the right checks and balances in place.

Recommendation:

- *The Government fund the development of an 'off the shelf' scalable disaster support policy for businesses to be activated in response to a disaster, with the level of support reflecting the nature and magnitude of a disaster.*

Climate change initiatives

Consideration of climate change policy must be a core principle in post-COVID-19 economic recovery, including this Budget. Even at this early stage there appears a risk of rolling back of environmental regulations and emissions targets, and significant investment in increased coal capacity. A pro-growth post-pandemic rebuild need not come at the expense of environmental, social and governance (ESG) issues broadly and effective climate change action specifically. Indeed, there is momentum amongst many governments, businesses and investors to ensure delivery of a sustainable and inclusive recovery in which there is a hastening of the decoupling of economic growth from a fossil fuel over-dependency.

The nature of this momentum can be identified in perhaps three broad 'lessons' from the manner of the pandemic's spread and the contrasts in national and international responses:

- Governments, such as Australia's, which have accepted public health scientific advice regarding restrictions, and their early and widespread application, have fared dramatically better in curtailing the spread of the virus. Recognition of evidence-based scientific consensus regarding the source, scale and timeframes of global warming, has for some considerable time been applied by significant participants in the capital markets. The science of climate change needs to be placed at the centre of emission reduction and related energy policy, as well as providing key guidance to building innovation-based economic growth and export diversification. It is on this basis that the Government's Technology Investment Roadmap "A framework to accelerate emissions technology" is welcome, though we urge a fuller, more comprehensive approach to the economic transformation challenges. Important opportunities will come from Government funding the implementation of the recommendations contained in the Climate Change Authority (CCA) March 2020 report Prospering in a low-emission world: An updated toolkit for Australia.
- A deeper understanding of our interaction with, and dependency on, the natural environment is required. There needs to be greater appreciation in public policy and discourse of the connection between human health and viable wildlife and ecosystems. Human activity such as deforestation and unchecked urban expansion, coupled with the warming of the climate, has pushed nature beyond dangerous limits. Evolving scientific understanding needs to be the critical reference point of public policy to develop a better understanding of the connections between rapid climatic and environmental change, biodiversity loss and species redistribution, and the cumulative impacts on humankind. Climate policy is indivisible from environmental, health and economic policy in a post-COVID-19 world, and this should be reflected in this Budget.
- The nature of large-scale crises, the extent to which they can or cannot be predicted, and the increased risk of interconnection, are potentially heightened in severity, once climate change is brought into the equation.

The capacity to predict the timing and magnitude of large-scale crises, along with the evaluation of possible responses, will be dependent on suitable data and associated analytics. In this regard, the April 2020 McKinsey Quarterly article *Addressing climate change in a post-pandemic world*, states:

> *When it comes to resilience, a major priority is building capability to truly understand,* ***qualitatively and quantitatively****, corporate vulnerabilities against a much broader set of scenarios, and particularly, physical events. - - - [And further] it is indeed not difficult to imagine a pandemic resurgence coinciding with floods or fires in a given region, with significant implications for disaster response and recovery. (emphasis added)*

CPA Australia sees it as vital that the post-pandemic regulatory environment facilitates continuity and embedding of developments in corporate reporting around the climate change risk and pricing as key components in building a resilient recovery. Locking in high carbon industries and industry dependency in the short-term post-pandemic recovery will have long term deleterious effects that will be impossible to reverse within the widely acknowledged timeframe for climate action. Similarly, there should be renewed and strengthened commitment to international coordination and collaboration under the Paris Agreement.

CPA Australia recommends thorough and close consideration of the CCA report to Government as a key policy resource in guiding Australia's post-pandemic economic transitioning. 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.
CPA Australia is amongst a number of business, government and community groups urging a clear, long-term signal, such as a mid-century target, that is important for investment and will ensure a smooth transition to a low-emissions economy. The CCA's recommendation is, to a substantial degree, a reflection of these sentiments. In the post-pandemic economic environment, the investment and broader market signalling importance of setting a firm trajectory of reaching Australia's net-zero emissions position will be critical. Similarly, far greater regard will need to be given by Government to the five-year interval 'review, refine and rachet' mechanisms within Australia's Paris Agreement Nationally Determined Contribution (NDC), as part of appropriate and timely guiding of associated policy levers and business responses towards economic transitioning.

Recommendations:

- *The Government fund the development and implementation of 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.*
- *The Government model the economic impacts of current and possible emission reduction trajectories and temperature changes.*
- *The Government help to fund the development and deployment of technologies that will play a role in combatting global warming.*

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