

28 May 2020

Committee Secretary
Senate Select Committee on COVID-19
Department of the Senate
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Dear Committee Secretary

COVID-19 stimulus measures implementation impacts on the tax profession

As the representatives of over 200,000 professional accountants in Australia, the two major Australian professional accounting bodies, CPA Australia and Chartered Accountants Australia and New Zealand, make this submission on behalf of accounting and tax professionals tasked with supporting the implementation of the Government's current COVID-19 related stimulus measures.

The Government's response in swiftly announcing and rolling out programs to support businesses and maintain employment was appropriate due to the significant economic effects of COVID-19 on small businesses and employment. We commend the choice to deliver stimulus payments through the tax system. The Australian Taxation Office (ATO) is an effective administrator with broad reach, and the integrity of the accounting and tax profession and those who act as intermediaries, reduces implementation risks. However, the design of the policy heavily impacted small businesses and their advisers, and we believe that the impacts of policies on these critical intermediaries should be better considered in the future.

Around 95 per cent of Australian businesses use the services of a tax agent to assist them with their tax and superannuation obligations, making accounting and tax professionals a critical intermediary in the delivery of government services. Being the primary advisers for small businesses, the complexity of the stimulus measures and the self-assessment regime meant that businesses were reliant on their advisers to access government support.

The importance of, and dependency on, the accounting and tax profession in the financial and business ecosystem does not appear to have been properly considered in the development of the stimulus measures. Nor was the accounting and tax profession consulted in the development of the policies and as a result they were unprepared for their critical role in ensuring small business access to the stimulus measures. Given the scale and scope of the stimulus measures, we believe it is a reasonable expectation that advice would have been sought on the accounting and tax profession's capability and capacity to respond to and manage the anticipated demand.

Despite the rushed design phase, the accounting and tax profession has worked diligently and cooperatively with the ATO and Treasury to roll out the stimulus measures. However, the interpretive complexity and extremely short implementation period has created significant pressures and cost implications for businesses and the accounting and tax profession.

Business clients had to make critical business and financing decisions under great uncertainty while also undertaking the significant administrative and compliance activities required to

access the stimulus measures. For example, businesses have incurred costs for fees for professional advice, bridging finance to access some COVID-19 measures and administrative changes.

We have been advised that many accounting and tax professionals, as trusted members of local communities, assisted their clients in accessing JobKeeper and various other government stimulus measures, and either did not charge struggling businesses for their advice or provided advice at a heavily discounted rate. Accounting and tax professionals on annual retainers were required to absorb the unexpected costs themselves. We are aware that some businesses in financial distress, unable to afford professional advice, prepared their own applications, increasing the risk of incorrect claims.

Capacity constraints and capability requirements also meant that tax professionals were wholly diverted from planned tax work and business advisory services. Tax compliance work and end-of-year tax planning has been delayed by around eight weeks, pushing many time-critical decisions and lodgments beyond 30 June 2020.

We believe that, ideally, business and the accounting and tax profession should not have been disproportionately burdened with the costs associated with accessing the stimulus measures, and that the government should have considered this when designing the policies. Future design proposals involving adjustments to COVID-19 stimulus measures and the delivery of benefits through the tax system should consider using either an ATO-assessed approach where the ATO identifies eligible recipients and automatically disburses funds or include the provision of funds to small businesses to support their access to appropriate professional advice.

We note that the recent bushfires raised similar issues, albeit now on a smaller scale to the COVID-19 pandemic, where the accounting and tax profession advised government that small businesses required assistance to access critical professional advice. Following the bushfire disaster, many small businesses' payments to their advisers were in arrears as available funds were directed towards operating costs. At the time, we suggested a voucher system for small business to enable them to access professional advice. We continue to advocate for this form of support but on a broader basis. Such a voucher system could prove essential in enabling small businesses to get back on their feet post the current restrictions and as the various government fiscal support is withdrawn.

The cost of self-assessment, the capacity of the accounting and tax profession and the ability of small businesses to access professional advice is fundamental to the success of the stimulus measures in assisting the recovery from COVID-19. For those unable to afford professional advice, the risks of missing out on fiscal support and business recovery advice increases the risks of business failure. Such situations will become increasingly apparent from October this year as stimulus and support measures are wound back.

In considering the Government's response to COVID-19, we recommend:

1. The accounting and tax profession is consulted when designing or modifying COVID-19 policies related to business stimulus, given the critical delivery function of intermediaries.
2. Policy announcements and enabling legislation and guidance are prepared in a timely manner to ensure correct decision-making and timely engagement.
3. Flow-on impacts on the accounting and tax profession arising from stimulus measures are ameliorated through administrative relief such as adjusting tax lodgment programs, providing concessional dates, offering safe harbours and utilising the Commissioner of Taxation's discretion.

4. The government assists affected businesses to access professional advice by reducing cost barriers through mechanisms such as a voucher system.
5. A disaster response consultation framework, including consideration of critical intermediaries such as accounting and tax professionals, be developed for the future to identify and mitigate implementation risks and issues.

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Yours sincerely



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