Nexia Australia and New Zealand

Next newsletter

Winter 2022

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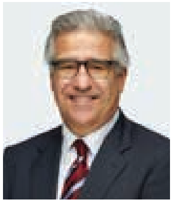
Chairman's Statement



Mal Di Giulio
Chairman

A teal wave surged across Australia, one handing Labor control of the nation while decimating the Liberal Party. Never before has our country seen a Federal election like 2022, Independents wreaking primary and preference havoc, signalling their collective arrival as a force in Australian politics. Is this an aberration in an atypical political climate or a sign of things to come?

In an unusual turn, now Prime Minister Anthony Albanese saw Labor's primary vote contract to a historic albeit victorious low, a downgrade on that which saw the Rudd Government obliterated in 2013. Enter the teal and green armies, preference machines who simultaneously walloped the outgoing Morrison Government while converting poll day popularity into representative status.

Interestingly, the more politics changes the more it stays the same, with grass-roots local campaigning the key to Independent candidate success. Furthermore, the Greens' message appears to be resonating with young voters, the party's performance its best ever, significantly outperforming even its wildest expectations. Whatever the case, voters appear dissatisfied with the major parties and voted accordingly.

The Prime Minister has his work cut out as the newly installed government will be forced to deal with the lingering effects of the COVID-19 pandemic while implementing its five-point economic plan. Inheriting one of the better-performing pandemic economies, Federal Labor has a myriad of pressing items to address, not least of which concerns interest rate rises, inflation, cost of living, reigniting international trade, securing supply chains and reviewing the nation's international commitments.

Let's take a look at some of the Albanese Government's key policy promises.

Aged Care

Labor has promised registered nurses will remain on site in residential aged care facilities while mandating every resident receives an average of 215 minutes of care per day. Furthermore, implementing mandatory nutrition standards ensuring food delivered to residents is of a higher quality is a key election promise.

Child Care

The Federal Government will invest in cheaper childcare with the aim to reduce cost pressures for families while simultaneously boosting GDP through higher workforce participation. Significantly raising the means-tested threshold for subsidised childcare makes this one of Labor's most expensive campaign commitments.

Education

To address Australia's skills shortage, better training through fee-free TAFE was put forward, supported by making more university places available to equip Australians with critical skills needed in our transitioning economy.

Energy

Labor intends to invest in cleaner and cheaper energy through its Power Australia policy, cutting power bills, unlocking investment and creating new-economy energy jobs in regional Australia. Furthermore, climate change was a key battle with a $20 billion injection to fast-track upgrades to the national electrify grid, a move designed to support renewable energy supply requirements. Designing a National Electric Vehicle Strategy is on the horizon, as is the installation of 400 community batteries across the nation. In another key commitment, the Government has committed to lowering emissions by 43 per cent by 2030, something widely supported by business.

Federal Integrity Commission

While light on specifics, Labor has promised to establish an integrity commission by year-end, one tasked with investigating potential corruption committed by MPs and members. The commission would be similar in scope and nature to a standing royal commission.

First Nations

Labor has pledged to implement the full Uluru Statement, including the Voice to Parliament.

Health Care

Lowering the cost of prescription medicine was a hot election topic, one which Labor committed to for older Australians requiring a lot of medicine. Furthermore, in an effort to free up emergency rooms, the Government promised to create 50 Urgent Care bulk-billed clinics, with more funding designed to extend open hours and treatment capabilities. Addressing inadequacies within the NDIS has become a top priority.

Housing & Home Ownership

Labor's shared equity proposal (known as Help to Buy) put forward the promise of making home ownership more affordable, seeing the Commonwealth purchase up to 40 per cent of a home (capped at an initial 10,000 participants) while a commitment to renters in the form of new social housing properties is on the agenda. The Government will also look to establish a $10 billion Housing Australia future fund.

Infrastructure

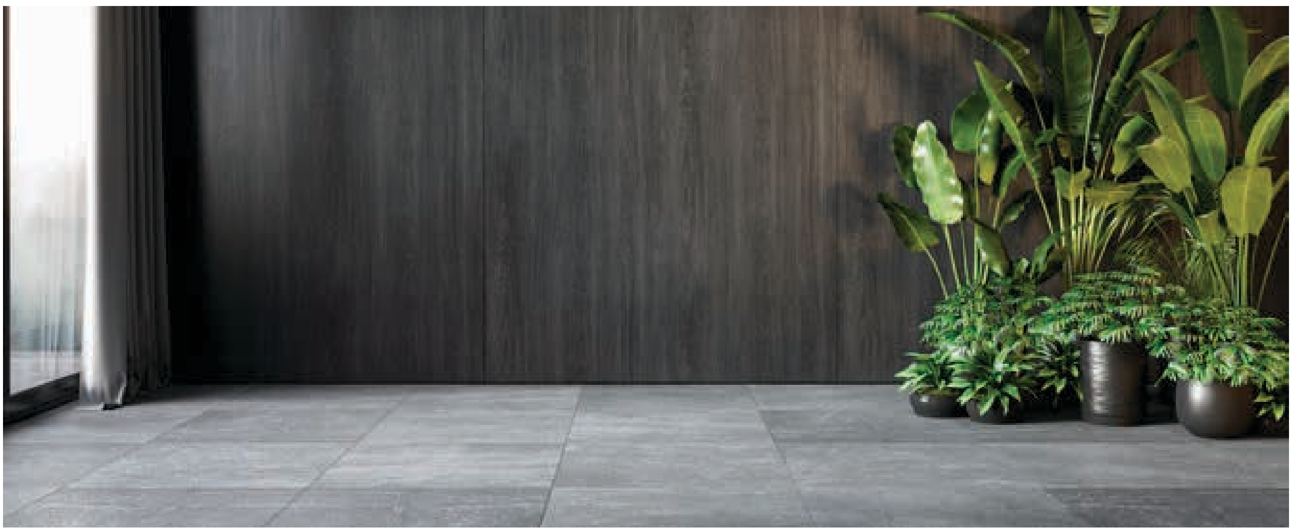
To modernise our economy, the Government has committed to upgrading the NBN, ensuring a fit-for-purpose digital backbone promoting the capture of digital economic opportunities, something estimated to be worth $207 billion in GDP per year by 2030.

Manufacturing

The Government has pledged to stimulate the economy through its Future Made in Australia initiative utilising the National Reconstruction Fund, opening up billions in private investment, securing supply chains and revitalising regions through more jobs and opportunities.

As you can see, the new Federal Government has its work cut out for it, with the above-mentioned being a small slice of its significant project pie. As a rule of thumb, my attitude toward politics has always been a work-with-the-landscape-in-front-of-you approach, and as an accountant and advisor, to best service my clients, getting across the detail of impending changes as fast as possible has been key.

Needless to say, the election result has thrown up some interesting business developments, topics worth broaching with your trusted Nexia Australia advisor.



Taxation

Hints, Allegations and Things Left Unsaid – Post-election tax landscape

Nexia's National Tax Director, David Montani, discusses the new government's tax policies.

David Montani
National Tax Director

Yes, they have tax policies

As the saying goes, change the government, and you change the country. Change doesn't happen by itself; through government, it happens by changes in policy. The particular focus here is the new government's tax policies taken to the election – and the possible unspoken ones.

It might come as a surprise to learn that the then-Opposition, now government, did take some tax policies to the election.

The main ones were:

- Allowing the legislated Stage 3 tax cuts to go ahead, which commence from 1 July 2024
- Supporting the OECD's Two-Pillar Solution for a global 15% minimum corporate tax
- Limiting debt-related deductions by multinationals to 30% of profits
- Fringe Benefits Tax (FBT) exemption from 1 July 2022 for certain electric cars.

The first two were going to happen anyway. The third is a nod to the occasional allegation of multinationals not paying their "fair share" of tax, and is essentially a tweak to the thin capitalisation rules. The last one, however, will be a notable change, incentivising employers and employees to opt for electric cars over petrol ones. At the time of writing, the Bill was still before Parliament, but there is every expectation that it will pass.

Tax reform?

There's a world of difference between a stand-alone tax policy and tax reform. Genuine tax reform has been almost non-existent over the last 15 years, spanning two governments and five prime ministers. But hey, maybe this time round will see some genuine reform.

There were some encouraging words from Treasurer Jim Chalmers, who said last year:

> *"I want to have a proper look at the tax system across the board"*

They are some hefty words, perhaps a hint of what might come. A "proper" look inherently means listening to tax experts and economists, accepting credible evidence, and acknowledging the realities of other countries' lived experiences. There is no shortage of these things. And "across the board"? Ken Henry was not permitted to consider the GST in his 2010 review. Given that the GST is one of the most significant taxes in our system, and is the linchpin in our mix of taxes, it was a crucial exclusion that severely constrained the review's value, as substantial as it was despite the exclusion.

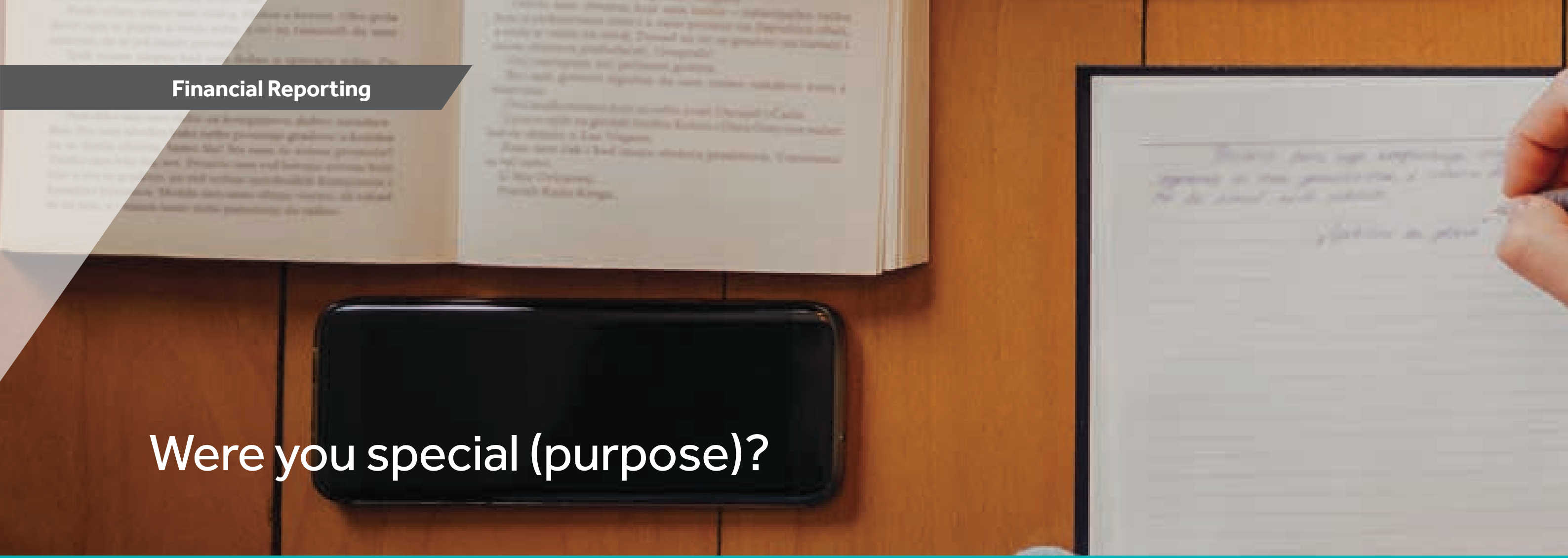
The last two governments have a limited record on genuine tax reform, and so the new Albanese Government has an opportunity to distinguish itself on this policy front from its immediate predecessors. We hope that Treasurer Chalmers will hold true to his word.

History shows that reform is best undertaken by governments while doing the job of governing, rather than through elections. In fact, it is said that an election campaign is the worst time to subject policies to judgement. With the high stakes, time pressure and emotional adrenaline, judgements can go awry. Far better to debate policies, prosecute their case, and ultimately judge their merit for implementation in the somewhat calmer environment of running the country.

Special October Budget

And that leads us to the special Budget that the government has scheduled to deliver on 25 October. It's an opportunity to start a reform journey from within government, which, as noted, is the best way to do that. Budgets nowadays are rarely used to announce taxation changes of any significance (the recent exception being in responding to a once-in-a-century pandemic). So, the special October Budget might buck that trend, being a prime opportunity to say so much that has been unsaid.

At Nexia, we are constantly monitoring developments to keep you informed. The special October Budget might well contain announced changes that will present opportunities, or risks, for your business. Our Special Budget Summary will set out the key announcements, and we look forward to discussing with you what they will mean for your business.



Were you special (purpose)?

Many entities previously preparing Special Purpose Financial Statements will have to transition to General Purpose Financial Statements for 30 June 2022.

Martin Olde
Technical Director

We all like to think that we're special. Many for-profit corporate entities claimed that they had no users dependent upon general purpose financial statements (GPFS) and so were non-reporting entities that could prepare special purpose financial statements (SPFS). However, the rules changed from 1 July 2021 and many companies that claimed they were 'special' are no longer so. For these entities, GPFS must be prepared for 30 June 2022.

Who must prepare GPFS

A for-profit private sector entity must prepare GPFS from 30 June 2022 if required by either:

i. legislation to prepare financial statements that comply with 'Australian Accounting Standards' or 'accounting standards' (eg, Corporations Act); or

ii. a constituting document (e.g. trust deed or constitution) or other document (e.g. bank agreement, sale agreement, shareholders' agreement) to prepare financial statements that comply with 'Australian Accounting Standards' that was created or amended on or after 1 July 2021.

Entities that fall outside these requirements include:

i. small proprietary companies that do not have a statutory requirement under Part 2M.3 of the Corporations Act to prepare a financial report.

ii. public companies limited by guarantee that are not-for-profit entities.

iii. entities reporting under legislation which requires the preparation of 'financial information' (as opposed to financial statements), such as friendly societies, retirement villages and some incorporated associations.

iv. entities reporting under legislation that requires the preparation of financial statements or financial reports that does not specifically refer to either 'Australian Accounting Standards' or 'accounting standards', such as SMSFs.

If the constituting document was created before 1 July 2021 and refers to 'Australian Accounting Standards', but has not been amended after that date, are exempted and can continue to prepare SPFS. However, these SPFS will be subject to extra disclosure requirements contained in AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities.

Types of GPFS

Entities that have public accountability must prepare Tier 1 GPFS, while those without public accountability can elect to prepare, as a minimum, Tier 2 GPFS using AASB 1060 Simplified Disclosure Standard (SDS).

An entity has public accountability if:

i. its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

ii. it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Impact on for-profit entities previously preparing SPFS

Large proprietary companies and unlisted public companies

Large proprietary companies and unlisted public companies are required to prepare financial statements in accordance with accounting standards by Chapter 2M.3 of the Corporations Act. This means, for accounting periods ending 30 June 2022 and beyond, these entities must lodge, as a minimum, Tier 2 GPFS.

Grandfathered proprietary companies

Grandfathered proprietary companies with balance dates ending before 10 August 2022 were exempted from lodging financial statements with ASIC. But these companies still have to prepare financial statements in accordance with accounting standards. Consequently, these entities must now prepare, as a minimum, Tier 2 GPFS.

Small foreign-controlled companies

Small foreign-controlled companies are required to prepare financial statements in accordance with accounting standards by Chapter 2M.3 meaning that such companies are now required to prepare GPFS.

However, small foreign controlled companies that are not part of a large group that rely on the relief from preparing and lodging a financial report under ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204 are exempt from the requirement to prepare financial statements and could choose to prepare SPFS.

Small foreign-controlled companies whose parent (which must be an Australian company or a registered foreign company) has lodged consolidated financial statements with ASIC are also exempt from preparing financial statements and could also choose to prepare SPFS.

AFS Licensees

Australian Financial Services Licensees (AFSL) are affected as a result of either their requirements to report under Chapter 7 of the Corporations Act (eg, if a small proprietary company or trust) or Chapter 2M.3 of the Act (if a large proprietary or public company).

Therefore, they will be required to transition to GPFS. AFSLs reporting under Chapter 2M.3 will have to prepare GPFS from 30 June 2022. However, ASIC has provided a one year deferral of the new GPFS disclosure requirements for AFSLs that are only affected by the financial reporting requirements of Chapter 7 and previously prepared SPFS.

The type of GPFS (either Tier 1 or Tier 2 SDS) required by AFSLs will depend on the type of licence held and whether the licensee meets the definition of public accountability. ASIC Form FS 70 describes those licence types that are considered to have public accountability and therefore are required to prepare Tier 1 GPFS. Read our publication for more information on changes to AFSL reporting requirements here.

Are you prepared?

For-profit entities not affected by these changes and which continue to satisfy the criteria as a non-reporting entity are still permitted to prepare SPFS. Otherwise, this 30 June will be a busy time for many as they assess the need to restate their financial statements to comply with the measurement, recognition and disclosure requirements of accounting standards.

If you're concerned that you're no longer 'special' your Nexia advisor can help you through the transition process.

Is your payroll system underpaying your staff?

Geoff Campbell
Internal Audit Partner

Payroll systems are complicated. They perform extremely complex calculations that (depending on your workforce) can span calendar days and take into account adjacent shifts and previous work patterns.

An array of tables need to be maintained, but they are sometimes misunderstood. Manual processes are involved and mistakes are made. So, it's not surprising that payroll systems have a habit of paying people incorrectly. Most payroll underpayments are simply due to errors, rather than the deliberate exploitation of workers. Although some industries seem overrepresented, this is a problem that affects all categories of employer regardless of:

- the industry;
- their size, and the resources at their disposal to get it right; or
- whether they are in the public, not-for-profit or private sectors.

Not even the ABC is immune. Despite the national broadcaster publishing hundreds of media articles about 'wage theft' by others, the Community and Public Sector Union slammed the ABC over the underpayment of its casual workers in a statement released on 10 January 2019

The Fair Work Ombudsman doesn't play favours either. It has imposed enforceable undertakings on some of its fellow government departments. In 2020/21 it slapped one on the National Library of Australia along with some other well-known brands, including IBM and an offshoot of the Uniting Church.

In some cases, you don't need to be the one who engages in wage theft to be penalised. The Fair Work Amendment (Protecting Vulnerable Workers) Bill 2017 amended the Fair Work Act 2009 to hold franchisors responsible for certain contraventions of the Act by their franchisees.

Unfortunately, payroll problems can linger for years and undisclosed liabilities simply accumulate. But the costs aren't limited to the penalties, the cost of complying with enforceable undertakings, the underpayment itself and the damage to your reputation. Remember there's also:

- Superannuation;
- Long Service Leave Levy (when a portable scheme is involved);
- Workers compensation insurance;
- Payroll tax; and
- Interest.

So what should you do?

Recognise that wage theft often originates outside of the payroll software

Ensure you don't have a culture where non-compliant work practices are encouraged or enforced. If the award or agreement provides for a paid meal break, make sure it is taken. If staff are 'strongly encouraged not to claim overtime' it could be bought up later by staff who had complied, but kept notes to share with unions or the Fair Work Ombudsman.

Make sure events that invoke penalties and overtime provisions actually enter the payroll system

Give it a fighting chance to pay people correctly. For example, if someone works through a paid meal break; it has to be entered into the payroll system appropriately, otherwise the payroll system will think it is just ordinary time, rather than time and a half or double time.

Ensure the software models your awards or agreements

It has to be configured correctly. For example, it must be capable of recognising when two shifts have to be joined together as a 'broken shift' and when the maximum number of ordinary hours has been exceeded during a given payroll period.

Understand the award or agreement

That way, you can monitor the payroll system and take corrective action, not just if, but most likely when it begins to pay people incorrectly.

Bleasdale Vineyards

Bleasdale Vineyards is a 171 year old winery in Langhorne Creek, South Australia, producing premium red, white and fortified wines.

We spoke to Leigh Warren, General Manager of Bleasdale Vineyards, who shared his personal insights into how he was able to use the challenges presented by COVID-19 to pivot his business to maximise opportunities and minimise the detrimental impacts on cashflow.

Located in the picturesque wine region of South Australia's Langhorne Creek, Bleasdale's philosophy is to capture the essence of what makes the region so attractive – vibrancy, harmony and texture.

Leigh Warren says this simple approach has helped make the brand a success, with the wines being exported around the world.

"We bottle all our products in-house except for our sparkling wines. We get our wine out into the market through direct to winery sales, we have a national distributer, but you can also find some of our wine range at various liquor outlets like Dan Murphy's, BWS and other prominent liquor chains throughout Australia," said Leigh.

"Traditionally we sell wine, that's our core business. Whether it's red wine, white wine, or bubbles. Our range of wines means we have something for everyone, and a wine that fits every occasion. Whoever it is and whatever they need it for, we'll have something for them."

Like the majority of Australian businesses, when the global pandemic and lockdowns hit, they hit hard. For Bleasdale, this meant shutting their cellar door and within only a few days completing pivoting their offering to the market.

"We knew we really had to change the way we were doing things, and this meant using a more disruptive sales model, to counteract a more competitive market, due to the knock-on effects of COVID, and obviously with the China tariff situation on Australian wine."

According to Leigh, it's become more challenging to sell wine over the last couple of years, particularly as exports to China have ground to a halt.

"This is proving to be a significant issue for our industry and there's no immediate and obvious replacement for the huge market that is China. There is a lot of wine that would have otherwise gone to China that is now being discounted heavily in Australia, so that's made everyone assess how they make sales domestically," said Leigh.

"For Bleasdale, we decided we needed to think world-class if we want to act on the big stage. We've had some really exceptional wins over the last 24 months, in Canada and the US in particular, but there's a lot of wine being discounted domestically, so we knew we needed to work hard at our relationships and figure out the more non-traditional ways to move our wine out the door without devaluing our brand.

When asked about how the Bleasdale has grown to be so successful, Leigh credits the support of his dedicated staff and business partners and suppliers, including Nexia Edwards Marshall who have given invaluable financial advice over many years.

"Nexia has been a great business partner for many years. They always ensure we're following our best business practices, and that we're keeping our ducks in a row," Leigh said.

"Over the years, we've sent our wine list through to Nexia's office, and their staff have always been such good supporters. It's a win for the Nexia staff as they can pay for wine at a lower price, and it's a win for us as it's the incremental sales we've been looking for."

"Nexia are always there making sure we're keeping our pencil sharpened, but they also respect our expertise and don't interfere with our day-to-day operations. They're helping us out behind the scenes rather than being a roadblock and we couldn't thank them enough."

To find out more about Bleasdale and their fantastic selection of premium wines, or to even order your own visit www.bleasdale.com.au.

Leigh Warren
General Manager
Bleasdale Vineyard

Adelaide

We are delighted to announce the following promotions at Nexia Edwards Marshall:

- Chetan Trivedy, Director – Audit and Assurance Services
- Megan Odgers, Senior Manager – Business Consulting and Taxation Services
- Jasmin Brooks, Manager – Business Consulting and Taxation Services
- Lauren Knight, Manager – Business Consulting and Taxation Services
- Chloe Murray, Manager – Business Consulting and Taxation Services
- Eliza Sims, Manager – Business Consulting and Taxation Services
- Sonia Villano, Manager – Business Consulting and Taxation Services

Christchurch

Sam Naylor has joined the Christchurch office as Partner and leads the Audit and Assurance team. He has an in-depth understanding of best practice controls and processes which has been developed through his career with Audit New Zealand. With over a decade of audit and assurance experience, he has audited a broad spectrum of clients in both New Zealand and the United Kingdom, ranging in size from small companies and trusts to large public sector entities.

Chris Greenslade was promoted to Partner with the Business Advisory team. He joined the firm as a graduate, and through his personable approach and technical capability he will continue to be invaluable to his clients. Chris was born and bred in regional Canterbury, having attended school and university locally. As a member of the local rugby and cricket clubs and with a strong family presence in the region, he is looking forward to extending his professional network.

Sydney

Nexia Sydney's Graduate Recruitment Drive

On Thursday 16 June, our Sydney office hosted an event in partnership with the UNSW Accounting Society at the Glenmore Hotel.

As proud sponsors of the Society, this was a great opportunity to share who Nexia is, and what the firm is about.

Beyond client service excellence, Nexia Sydney truly value and care about their people. And they're proud of their culture which they believe enables them to build genuine and meaningful connections with one another.

This event allowed students to meet and connect with staff, so that they can make informed decisions about whether Nexia is the right workplace for them.

Nexia Sydney hosts Night for Greater Impact

Nexia Sydney is a firm dedicated to making a meaningful impact on their community through the work that they do.

On Thursday 9th June, the firm hosted an evening which brought together their community of Great Clients with Great Charities to achieve Greater Impact.

Guests heard from CEOs and Senior Representatives of multiple For Purpose Organisations to understand the work that they do and to make informed donation decisions by 30 June.

The event raised over $60,000 for charities that support disadvantaged children, youth and their families, those suffering disease and those in need of physical, emotional and social support.

Nexia Edwards Marshall (Adelaide) celebrating Nexia Day

Nexia Sydney - Night of Greater Impact event