Creating a more dynamic and resilient economy inquiry

Questionnaire response 30

Name: Chartered Accountants Australia and New Zealand

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

   The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

   The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

   The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

   The participant did not respond to this question.

2. How has your regulatory burden changed over time?

   The participant did not respond to this question.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   There is a need for consistency and clarity across the policy and regulatory frameworks, particularly in relation to sustainability reporting. Currently there are a myriad of sustainability-related reporting requirements for business through different reporting mechanisms to a variety of government departments including gender pay gap reporting to the Workplace Gender Equality Agency; corporate tax transparency to the Australian Taxation Office; payment times reporting to the Payment Times Reporting Regulator; and modern slavery statements to the Australian Attorney-General’s Department.
   In addition,
   1.The Personal Property Securities Register, a key tool to obtain finance when a lender requires security over an asset owned by the borrower. Yet the language is not common business language, terms such as grantor, secured party, PMSI are meaningless to owners of businesses. As a result, infrequent users find registration complex and make common errors which render the registration invalid. Further, many secured parties fail to discharge their interest when a loan is repaid, constraining future lending for a business. When a business seeks to borrow funds in the future, it becomes their responsibility to track down previous secured parties to ask them to discharge their interest. This can stall access to finance which in turn can inhibit business dynamism.

2.The Anti-Money Laundering and Counter Terrorism-Financing (AML/CTF) regime requires reporting entities to report information that is not verifiable and information unrelated to AML/CTF activities. For example, when onboarding new clients, confirming there have been no adverse events in their past such as insolvency. While it is a reasonable ask to check in Australia, the regime also requires checks overseas without providing links on where to look, adding complexity. The annual Compliance Report seeks detailed information about the reporting entity unrelated to that entity's AML/CTF activities. For example, corporate reporting entities are asked for the number of employees, the approximate annual turnover of the business, the director identification number and birth date of each director. Following a survey of our members in public practice, we found that the accounting services designated under the AML/CTF Act, on average, represented less their 5% of their total service offering.

Requiring information on the whole entity adds complexity for the reporting entity and diminishes business resilience with another honeypot of data being collected attracting the attention of cyber criminals. We seek to understand how the regulator's requirements align with Australian Privacy Principle 3 which limits gathering information to that 'necessary for, or directly related to, the agency's functions or activities.'

3.The Anit-Money Laundering and Counter Terrorism-Financing (AML/CTF) regime requires reporting entities to verify identity information. Where a potential client is a corporate, this requires verifying the information provided about the company, such as directors and ultimate owner, with that held on the Organisation and Business Name register managed by the Australian Securities and Investments Commission (ASIC). Yet to review current company information incurs a charge of $10.00 and for current and historical information a charge of $20.00. To review roles and relationships within a corporate, a further $22.00. Directors may offer to confirm their identify and position by providing their director identification number, yet this is not public nor linked to their relevant corporations so cannot be verified by a reporting entity. This is held by the Australian Taxation Office on the Australian Business Registry Services platform which advises that, by law, it cannot be provided to the public.

Regulations that rely on the private sector to do the work of government agencies, in this instance to detect and deter money laundering, must be achievable without additional cost over and above the impost of time and cost to actually undertake the activity. Compliance costs inhibit dynamism and to maintain resilience, costly activities may see businesses withdraw some services they offer to consumers. Particularly for small and micro business and sole practitioners, rarely can they pass on compliance costs to their customers and remain competitive.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

An example of a good job is the process the Australian Transactions Reports and Analysis Centre (AUSTRAC) is following as Australia includes designated non-financial businesses and professions (DNFBP's) in its anti-money laundering and counter-terrorism financing (AML/CTF) regime. AUSTRAC have recognised that they do not have expertise inhouse across the DNFBP's and established, and listens closely to, industry through its Industry Forum and to DNFBP sectors, such as accounting, through its Working Groups. This process has seen real world examples being considered by AUSTRAC and influencing changes in draft documents prior to public consultation. AUSTRAC is also being responsive to feedback received, or reiterated, during public consultation. For example, in drafting reforms to the primary legislation, following consultation with the accountants working group, accountants existing customer identification process has been recognised. Following round 1 consultation on the new Rules, clarity has been added around the expectation of reporting lines for individual and small business reporting entities and that, on setting up a trust, only the name of the settlor, rather than verifying their identity, is required.

The process of listening to industry as legislation and guides are being drafted is a good example of seeking to understand the existing regulatory burden on entities and working to harness, rather than duplicate, existing compliance requirements. The process allows stakeholders to gain an understanding of AUSTRAC's perspective and why some suggested changes are not implemented empowering them to inform and educate their membership base. Equally, AUSTRAC gain an understanding of how the regime will impact day-to-day operations across the DNFBP sector and are willing to incorporate changes so AML/CTF programs are practical to implement and effective in achieving the desired outcomes of the regime.