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# 2024–2025 Federal Budget Submission



CHARTERED  
ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

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# Executive Summary

## Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to make a submission regarding the 2024/25 Federal Budget.

By restraining spending and returning most of the increased tax collected to the 2023/24 Budget, the government embarked upon the difficult task of addressing the nation's debt servicing costs whilst providing targeted cost of living assistance to the most vulnerable. With continuing high inflation, a similar approach is needed again this year. Advice from the Economic Inclusion Advisory Committee will assist the government to formulate its approach to providing targeted cost of living relief.

Managing Australia's transition to net zero in a just and orderly manner is an immediate priority. Key to this transition is ensuring that investors, business, and the community can rely on climate-related disclosures for decision making. The accounting profession will be pivotal to ensuring the high quality, credibility and reliability of these disclosures. CA ANZ calls for global alignment of reporting and adequate funding of sustainability standard setters and regulators.

Improving productivity can result in increased incomes which will help with the cost of living. Productivity gains could be achieved through streamlining regulation and improving transparency. For example, aligning regulatory reporting systems for the tax system could dramatically reduce red tape whilst increasing system integrity. So too could integrating identity and reporting systems. Ensuring regulators are

both appropriately funded and efficient is essential. Industry levies, for example those relating to the funding of the Australian Securities and Investments Commission (ASIC), should be reviewed given the Productivity Commission's research paper on industry levies.

Business needs certainty. The status of announced but unenacted measures needs to be clarified. Legislation regarding corporate residency and international tax measures need realistic deadlines. Consultations on draft law needs to be conducted in public and for a minimum of 30-60 days.

Many businesses have high debt levels. Some will need to restructure, while others will need to wind-up their operations. Reforming the small business Capital Gains Tax rollover provisions, allowing loss carry back, resourcing the Assetless Administration Fund and boosting ATO debt recovery resources will assist businesses to adjust.

Australia's ageing population needs affordable financial advice. Strong, simple regulation is needed to enable that advice to be delivered. The Productivity Commission should comprehensively review all current retirement related tax and transfer payments policies, including aged care subsidies, with the aim of untangling inconsistencies and complexities.

Substantive tax reform is still needed. Broadening the Goods and Services Tax base and rate is required to relieve strain on the income tax system. In addition, the equity of the tax system, especially intergenerational equity, needs to be considered to help support the costs of an ageing population.

Having a skilled and educated workforce also assists productivity. The budget should extend the 120% training boost and reform higher education funding and financing. Migration system reform is also needed to better match skills to jobs.

We look forward to engaging with the government on these key areas.



**Ainslie van Onselen**  
Chief Executive Officer



**Simon Grant**  
Group Executive Advocacy

# Assist the just and orderly transition to net zero through sustainability reporting

Transparency, credibility, and accountability of climate-related disclosures are critical to Australia's just transition to a net zero economy. These disclosures are needed to help inform decision making and capital allocation.

Appropriate investment in the resourcing of standard setters and regulators is essential. Building the necessary capacity across all stakeholders to support the implementation of climate-related disclosure and assurance standards and the business transition is also fundamental to achieving net zero goals.

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.

Existing business reporting requirements should be considered and incorporated into an overarching sustainability reporting framework alongside new areas of focus to avoid a piecemeal approach.

## Short term

- Develop an overarching sustainability reporting framework. CA ANZ cautions against a piecemeal approach of mandating additional individual thematic areas.
- Continue to invest in adequate resourcing of standard setters to support ongoing adoption of globally aligned sustainability disclosure and assurance standards. The focus should be on climate in the immediate term with capacity and flexibility to expand to broader sustainability issues over time.
- Invest and resource an appropriate regulator to provide integrity and maintain confidence in sustainability-related financial disclosures. This is particularly important while the market matures.
- Invest in building the human capital skills necessary to support the implementation of sustainability disclosure and assurance standards and the business transition.

## Long term

- Fund a statutory review to determine if the corporate reporting framework, supporting regulation and governance arrangements are meeting domestic and international commitments and are globally aligned. This should include a roadmap to consolidate the myriad of existing sustainability-related reporting requirements for business across the whole of government into the framework.

# Tax eco-system

The government has announced a two-year work program to review and improve the tax ecosystem.

The tax profession already needs to comply with many regulations. Streamlining the regulatory requirements will assist in adherence and enforcement that not only has better consumer outcomes but also reduces red tape and assists with productivity.

Competitive fairness is also important. The current review should also consider the role non-regulated entities, such as digital service providers have, or are likely to have in the future, in the provision of tax services.

Ensuring that tax agents and their clients can deal efficiently with the ATO should be a priority. Resources should be allocated to the ATO for this specific purpose, in recognition of:

- Substantial, publicly acknowledged declines in ATO service standards which (for example) make it difficult for tax agents to resolve issues in a timely cost-effective manner.
- An expected further surge in ATO debt collection activity targeting small business operators that are struggling with higher costs.

Payday Super is a fundamental change to long established practice. The system would be more efficient if, like in New Zealand, employers paid superannuation contributions to the tax revenue authority so it could forward those amounts onto an employee's preferred superannuation fund. The Super Guarantee penalties need urgent reform especially after the recently introduced wage theft laws.

## Short term

- Implement the Stage 3 tax cuts.
- Fund the ATO to implement a 'booking' service to facilitate efficient issues resolution, especially in relation to tax debt collection and small business disputes.
- Instruct the Inspector-General of Taxation and Taxation Ombudsman to undertake a review of ATO service standards and interaction with tax agents.
- Increase funding for the Inspector-General of Taxation and Taxation Ombudsman.
- Ensure consultation periods are adequate and that inter-related topics are dealt with together.
- Ensure reviews consider the role and impact of digital service providers on the delivery of taxation services.

## Long term

- Substantive tax reform is still needed to cope with an ageing population and to maintain global competitiveness in a digital environment. There have already been numerous reviews of Australia's tax system. Government should announce a roadmap of how Australia will achieve tax reform.
- Have employers pay the ATO superannuation amounts that can then be on-paid to employee superannuation accounts.

# Increase government transparency to help reduce complexity in business

Good governance procedures are essential to the creation of transparency and certainty.

There is currently substantial uncertainty about the tax treatment of transactions due to announced measures not being enacted. This makes it exceedingly difficult for taxpayers to comply with the intended law and exposes them to penalties not only for tax but also under corporations law for inadequate disclosures under the continuous disclosure rules (which ensure investors have appropriate information to analyse a business).

Many proposed international tax changes have commencement dates that have – or will shortly – pass, yet there has not been consultation on draft legislation or the introduction of legislation to the Parliament. Changing the commencement dates to reflect when legislation is likely to receive royal assent is needed.

The [Bywater](#) case has created great uncertainty about the residency of corporations. The ATO's practical compliance guidance has expired, even though the preceding government decision to implement the Board of Tax (BoT) recommendations on this topic has not eventuated. Many businesses now find themselves in a difficult position. Legislation is urgently required.

Various pieces of legislation have been passed in response to the PwC matter, with no or extremely limited consultation [such as amendments to the Treasury Laws Amendment \(2023 Measures No. 1\) Bill 2023](#). The demise of effective consultation on this and other tax topics has been apparent in 2023. To safeguard confidence for all stakeholders in the consultation process, CA ANZ recommends open, not closed-door consultations.

Consultation times need to be adequate. [Government guidelines](#) require, as a matter of good practice, broad public consultation over a minimum 30–60-day consultation period – longer if they occur during holiday periods. Those who take the time and trouble to make submissions should receive feedback. These good practices should be enforced.

## Short term

- Clarify status of announced but unenacted measures.
- Clarify whether the previous government's announced changes to Division 7A (regime dealing with extraction of profits from private companies) will be progressed or make a commitment to revisit the reform to Division 7A.
- Announce realistic deadlines for international tax matters that are due to be legislated.
- Enact the BoT recommendations about corporate residency.
- Commit to minimum 6-week public consultation periods.

## Long term

- Treasury to review consultation processes with a view to increasing transparency and public consultation time periods.

# Improve productivity by streamlining regulation and providing transparency

Transparency of businesses ownership and connections between businesses is critical to building trust in Australia's economy and preventing the misuse of both the personal and business data of all Australians.

Capturing some services offered by designated non-financial businesses and professions (DNFBPs) in the anti-money laundering and counter-terrorism financing reforms (AML/CTF) regime will strengthen the detection and prevention of money laundering and terrorism financing in Australia. Inclusion in the AML/CTF regime will be most effective and efficient where the government considers the extensive regulatory and professional obligations to which some DNFBPs such as professional accountants, are already subject. Genuine consultation will be critical to ensuring the legislation and regulation developed is appropriate and streamlined.

Investor confidence is vital for the health of Australia's capital markets. Constantly improving the quality of audited financial reports is integral to maintaining investor confidence and demands robust, transparent oversight. The 2019-2020 Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the *Regulation of Auditing in Australia* ("the Audit Inquiry") probed deeply into the evidence, professional and community views on auditing in Australia and our regulatory frameworks, providing clear bipartisan conclusions, insights and recommendations that remain pertinent to current matters such as audit independence, business resilience and transparency – highly relevant to ongoing inquiries and reviews into auditing in Australia. These critical recommendations have not yet received a government response, which is

essential to making important policy improvements, and clarifying the government's view on how these bipartisan conclusions and recommendations should inform ongoing inquiries and reviews.

The Audit Inquiry also recommended that "the Australian Government take appropriate action to make digital financial reporting standard practice in Australia". Digital, tagged reporting data is essential for reporting to effectively deal with the challenges of increasingly complex organisations and reporting frameworks, and will become even more so with the current steps toward enhanced and possibly mandated sustainability reporting. Most of the world's largest economies have already mandated digital reporting for listed companies, including the United States where the Securities and Exchange Commission mandated the adoption of extensible Business Reporting Language in 2009. Digital reporting has the capacity to assist not just with financial reporting and auditing, but the efficient and transparent functioning of financial markets more broadly.

Financial services entities are incurring spiralling compliance costs. Reforming and simplifying Chapter 7 of the *Corporations Act* like the Australian Law Reform Commission's proposals has potential to reduce compliance costs and benefit the community including, for example, higher retirement benefits. The Australian National Audit Office (ANAO) should be asked to review the process used by the Australian Securities and Investments Commission (ASIC) to calculate and allocate the ASIC Industry Funding Model (IFM), particularly given the Productivity Commission's recent [report about industry levies](#).



## Short term

- Fund the build and implementation of a modern Company Register, which links a director's ID to their relevant companies.
- Remove fees to search the Company Register so the cost to check the credentials of a company and its directors is no longer a barrier.
- Fund genuine consultation with industry to implement tranche-two of the AML/CTF reforms to minimise unnecessary duplication and determine a sufficient implementation timeframe.
- Adequately resource AUSTRAC to develop industry specific guides and templates for tranche-two entities, most of which are small businesses.
- Fund the development of linking the digital ID framework with the myoxid platform, the Company Register and the Payment Times Reporting portal.
- Fund effective financial reporting and audit standard setting and regulation – both standard setting and regulation have been impacted by decreasing funding over the last budget cycle.
- The government should respond to the recommendations of the Audit Inquiry to provide clear policy direction to relevant departments and clarity for the purpose of the ongoing inquiries and reviews.
- The ANAO should be asked to review how ASIC calculates and allocates the ASIC IFM.

## Long term

- Provide funding to consult on and pursue the mandatory adoption of digital reporting by listed entities in Australia.
- Commit to simplifying Chapter 7 of the *Corporations Act* and the superannuation laws.

# Support small businesses to structurally adjust

A healthy vibrant economy needs businesses to compete on an even field and for there to be appropriate pathways to restructure or exit.

Since 2019, despite COVID, there has been a net increase in the number of actively trading businesses each year. With increasing economic pressures, many are already carrying substantial debt, especially tax debt.

The small business Capital Gains Tax (CGT) rollover provisions are complex and costly to apply. Adopting the recommendations of the BoT in relation to the provisions would assist viable businesses to restructure.

Additional funding to investigate and identify bad actors is needed through an increase in ASIC's Assetless Administration Fund (AA Fund) to ensure it achieves its policy objectives.

It takes time to make investments and tax settings stability is desirable. Keeping the instant asset write off at current levels and extending the time in which energy efficiency and training can be improved through the small business boosts would be welcomed.

Loss carry back provisions would help build business resilience during future economic downturns and provide support for expanding businesses and should be a permanent feature of income tax law.

Better use of data and digital technology have the potential to improve business productivity, especially small business. Government has a critical role ensuring the responsible and ethical use of technology, including Artificial Intelligence (AI), as well as enabling better access to data it holds.

## Short term

- Implement all BoT recommendations regarding the small business CGT rollover provisions.
- Keep instant asset tax write off stable.
- Extend the time for the 120% energy and training boosts.
- Increase funding to the AA Fund to support registered liquidators to identify and remove bad actors from the ecosystem.
- Implement recommendation 16 from the Parliamentary Joint Committee's (PJC) review of corporate insolvency, which called for changes to the AA Fund.

## Long term

- Make loss carry back a permanent part of the tax system.
- Fund an independent review to make recommendations for streamlining both the corporate and personal insolvency laws.
- Continue international engagement to develop legislation to ensure the use of AI and generative AI is safe, ethical, and transparent.

# Plan for an ageing population

It is effectively impossible for Australians to plan their financial future through the superannuation, taxation, age pension and aged care regulatory environments without seeking expert financial advice. As Australia's population ages, it will be paramount that individuals can solve their retirement puzzle easily and simply. To enable this, legal complexities and inconsistencies need to be removed. The tax deductibility rules for financial advice fees need to be urgently reviewed.

There are insufficient financial advisers, and this is unlikely to change quickly enough even allowing for the government's final *Delivering Better Financial Outcomes* announcement.

Our members are highly trained and skilled and can assist, but the regulatory environment needs urgent reform to allow those in public practice to assist their clients with their everyday financial challenges. These reforms can be combined with the current review of financial adviser education standards.

We remain opposed to the government's *Better Targeted Superannuation Tax Concession* policy that will see those with more than \$3 million in total superannuation assets face an additional 15% tax, as the policy seeks to solve a problem that will correct itself over the next 10 years. We have many concerns with this policy including the lack of indexation of the \$3 million cap, the taxation of unrealised capital gains and the carried forward allowance of capital losses. This policy may force asset sales to pay for the tax on a market value gain that may never be recovered if total asset values fall and remain below \$3 million. This creates an unacceptable precedent and is a major design flaw. If unrealised gains are to be taxed, then unrealised losses should be refundable not carried forward. We believe this tax will be expensive for individuals, superannuation funds, tax agents, financial advisers and for the ATO to administer,

and will raise little net revenue when all these costs are considered.

The annual contribution caps system is costly to administer and prevents those with broken work patterns, such as those pausing work to raise children, to make up for those years when they are not working full time. To help solve this problem, it is our preference to replace the annual contribution caps with suitable lifetime caps. At the very least, the catch-up contribution concept currently in place should be expanded.

## Short term

- Review financial adviser education standards.
- Provide regulatory certainty for Chartered Accountants who are not licenced regarding the provision of financial advice.
- Replace the annual superannuation contribution caps with lifetime caps.
- Discontinue the *Better Targeted Superannuation Tax Concessions* policy.

## Long term

- Reform the tax base.
- Productivity Commission to comprehensively review all current retirement related tax and transfer payments policies, including aged care subsidies, with the aim of untangling rules inconsistency and complexity.
- The Australian Law Reform Commission should be tasked with reviewing the superannuation laws in an equivalent way to its recently completed Financial Services Legislation Inquiry.

# Improve productivity through education, skills and migration investment and reform

Productivity can be boosted by addressing nation-wide skill shortages, investing in the skills and education of current and future workers, as well as attracting and retaining global talent.

Jobs and Skills Australia's (JSA) [2023 Skills Priority List](#) shows 36% of occupations were in national shortage, about 5% higher than 2022, and a national shortage of tax accountants and auditors, with the [Internet Vacancy Index](#) finding 6,826 vacancies for accounting professionals in November 2023.

JSA's [Labour Market Update](#) for December found employers are still struggling to fill advertised positions, and around 88% of total employment growth to August 2023 was in occupations that typically require post-school qualifications, reflecting the importance of higher and vocational education to skilling the workforce.

Australia's higher education and migration systems will require reform to build the talent pipeline and fill gaps in the local workforce.

With the new [Migration Strategy](#) finding over 50% of graduate visa holders with a bachelor's degree or higher are working significantly below their skill level, despite studying in areas in shortage, more should be done to better match graduate skills to jobs.

## Short term

- Target investments in education and skills in digital, AI, sustainability, accounting, and financial capability.
- [Reform higher education funding and financing by recalibrating student and Commonwealth contributions](#) to ensure price

signals to students and providers are working in the same desired direction.

- [Index the Higher Education Loan Programme \(HELP\)](#) to either CPI or the 10-year government bond rate, whichever is the lesser.
- Introduce a national senior secondary accounting curriculum which is more outcomes focused and improves students' financial literacy.
- [Maximise the benefits of Australia's permanent migration program](#) by maintaining a focus on the Skill stream and migrant quality rather than quantity, preferencing prospective skilled migrants following merit-based pathways, and featuring accounting, audit and finance professionals prominently in the migrant intake.
- Improve employment and migration outcomes for international graduates, and make best use of their skills, by supporting reform proposals to improve the quality and coverage of the [Professional Year \(PY\) work readiness programs for accounting, IT and engineering](#).

## Long term

- Provide lifelong learning entitlements that learners can draw upon over their lifetimes to fund continuous learning, reskilling, and upskilling.
- Manage the transition from an occupation list to a core skills list to meet targeted workforce needs and consult with key stakeholders on what is on and off the list, as part of the Migration Strategy's implementation.

# About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 136,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations, and communities in which they work and live. Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators, and standard setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of thirteen chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of ten leading accounting

bodies that together promote quality services, share information, and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

## Key CA ANZ Advocacy contacts for this submission

### Taxation

Michael Croker

[michael.croker@charteredaccountantsanz.com](mailto:michael.croker@charteredaccountantsanz.com)

Susan Franks

[susan.franks@charteredaccountantsanz.com](mailto:susan.franks@charteredaccountantsanz.com)

### Superannuation and Financial Advice

Tony Negline

[tony.negline@charteredaccountantsanz.com](mailto:tony.negline@charteredaccountantsanz.com)

### Business Reform

Karen McWilliams

[karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com)

### Environmental, Social and Governance

Karen McWilliams

[karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com)

### Reporting and Assurance

Amir Ghandar

[amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com)

### Education, Skills and Migration

Sarah Davidson

[sarah.davidson@charteredaccountantsanz.com](mailto:sarah.davidson@charteredaccountantsanz.com)

