

8 February 2021

The Hon Michael Sukkar MP
Minister for Housing and Assistant Treasurer
House of Representatives
Parliament House
Canberra, ACT - 2600

Lodged online: prebudgetsubs@treasury.gov.au

Dear Assistant Treasurer

2021-22 Federal Budget submission

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to respond to your invitation to make a submission regarding the 2021-22 Federal Budget.

Suggested key themes for Budget

Recent economic data indicates Australia is performing well and there are grounds for cautious optimism now that the vaccination program is in sight.

But the domestic recovery from the pandemic is irregular and enormous economic and social challenges remain. Some of Australia's trading partners remain severely impacted by COVID-19.

As always, the Budget provides an important opportunity to communicate to Australians the government's position on a range of important short and medium term issues. Many of these issues pre-date the pandemic.

Bearing in mind that COVID-19 has impacted Australians differently, the Budget should continue efforts to assist vulnerable citizens and those businesses disproportionately affected by the pandemic.

It is an opportunity to reset and outline policy reform programs which better position Australia for the recovery expected during 2021.

The Budget should also commence a dialogue with the Australian community on broader 'over the horizon' issues, such as Budget repair and intergenerational equity issues.

CA ANZ therefore suggests the Budget papers outline policy responses in a number of key themes.

- Resetting the Australian community
- Resetting businesses
- Resetting the economy

Budget priorities for each theme are discussed in Appendix A.

An opportunity to reset

Overarching our suggested themes is the Budget-night opportunity to reset the policy agenda.

The Great Reset¹ – an initiative of the World Economic Forum – will be well-known in government circles.

Much of the focus is on sustainable development, bringing together government, business and civil society “to initiate, accelerate and scale-up entrepreneurial solutions” to a range of issues, particularly climate initiatives and sustainable development.

The World Economic Forum’s Global Risk Report 2021² highlights the interconnected nature of these risks. Australia’s 2020 experience has brought into focus the economic and social implications identified in that report. Our society has experienced fundamental changes in the way we live as individuals, operate as businesses and function as a community more broadly.

Although much uncertainty continues to exist, Australia is at a crossroads in deciding how we balance short-term issues with longer term uncertainty.

2021 can be a transformative year.

Many nations are taking the opportunity to reset their future pathway, emerging from the crisis with policies which promote:

- Fairness;
- Stronger, more resilient economic and social foundations;
- Sustainable outcomes.

Fairness because the pandemic has deepened existing inequalities. The Budget needs to consider investment carefully to ensure it prioritises the health and wellbeing of current and future generations and leaves no one behind.

Stronger and more resilient because whilst the recent natural disasters and COVID-19 were unprecedented, Australia must prepare for future uncertainties on a similar or larger scale.

Sustainable because evidence is growing of the substantial economic cost of inaction in a number of key policy areas. For example, other nations (including Australia’s major trading partners) are strengthening their commitments to a net zero emissions pathway and there are indications these nations could impose cross-border carbon tariffs on their trading partners, who don’t have a price on carbon.³ However, there may also be a significant opportunity for Australia to become a superpower in renewable energy, low carbon industry and carbon sequestration.⁴

Further, the global investment community is increasingly pushing for bolder action in areas such as climate action. The International Financial Reporting Standards (IFRS) Foundation have also recently consulted⁵ on the creation of a Sustainability Standards Board, which would likely take a climate first approach to standard development.

We encourage the government to not only respond and recover from the pandemic, but also

¹ [The Great Reset](#), World Economic Forum.

² [The Global Risks Report 2021](#), World Economic Forum, 19 January 2021.

³ [Vital Signs: a global carbon price could soon be a reality](#), theconversation.com, 13 November 2020

⁴ P8-9, SuperPower: Australia’s Low-Carbon Opportunity, Ross Garnaut, November 2019

⁵ [Consultation Paper on Sustainability Reporting, IFRS Foundation](#), September 2020.

seize this opportunity to reset and build a sustainable, productive and resilient economy.

If you would like to discuss any aspect of this submission, please do not hesitate to contact the following authors of this submission:

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Yours sincerely

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Appendix A

Key themes and Budget priorities

1. Resetting the Australian community

JobSeeker

CA ANZ notes the extension of temporary support for JobSeeker and other income support recipients until 31 March 2021 (the \$150 per fortnight Coronavirus Supplement). The government will by Budget night be well aware of any spike in JobSeeker applications due to the scheduled cessation of JobKeeper.

Cessation of the Coronavirus Supplement will have substantial adverse ramifications for eligible recipients, particularly young people and those in regions and industries most affected by the pandemic.

The social and economic arguments in favour of a permanent increase in JobSeeker are well known within Treasury circles⁶ (indeed, these arguments pre-date COVID-19⁷).

CA ANZ urges the government to consider ways to enhance the rate of JobSeeker as part of a broader program of work which includes enhanced re-skilling programs and incentives to embrace opportunities in industries experiencing labour shortages due to COVID-19.

JobMaker: is it working?

Whilst the Government's \$74 billion in support for the five-year JobMaker Plan is laudable, anecdotal feedback from some Chartered Accountants is that the policy would benefit from an early post-implementation review (as part of the Budget process) to determine whether it is hitting the mark.

The regulatory burden, eligibility criteria and low level of wage support appear to be dissuading some employers from embracing the initiative.

Re-skilling

COVID-19 has in some sectors led to long-term unemployment. There will be a continuing need for the Government to support and fund quality education that allows Australians to rest their skillset through refinement and enhancement of its existing expenditure programme.⁸

⁶ Deloitte Access Economics, [Estimating the economic impacts of lowering current levels of income support payments](#) (a report prepared for Australian Council of Social Service), September 2020.

⁷ Australian Council of Social Service, [Raising Newstart and Youth Allowance would boost jobs, wages and inject millions into local communities](#), 17 September 2018.

⁸ CA ANZ will lodge a separate submission on tax policy design issues in response to a separate consultation process instigated by Treasury regarding the Assistant Treasurer's media release dated 2 October 2020 that announced that the government will consult on allowing individuals to deduct education and training expenses they incur, where the expense is not related to their current employment.

Responsibility for this important initiative should not be borne by government alone. Industry and professional associations like CA ANZ have an important role to play in the design and implementation of re-skilling programs which identify and address skill shortages, providing meaningful theoretical and, most importantly, on the job training. Business partnerships should be a key focus of government policy in this area. CA ANZ is currently updating its professional qualification programs to support a future diverse group of Chartered Accountants.

Inter-generational equity issues

CA ANZ's past pre-Budget submissions have highlighted concerning issues outlined in the government's [Intergenerational Report](#) (the last report was published in 2015, and the expected 2020 report has not been published presumably because of re-direction of Treasury resources due to COVID).

The pandemic has exacerbated CA ANZ's concerns.

Younger Australians will shoulder much of the burden of Budget repair. They are also the most exposed to the longer-term economic ramifications of COVID-19, on-going technological change and expected higher outlays on health, disability support and aged care.

It is critical for the government's recovery and rebuilding investments announced in the Budget to create long term inter-generational value for this segment of Australia's population.

At the other end of the spectrum, the [Royal Commission into Aged Care Quality and Safety](#) has exposed disturbing problems with the treatment of aged Australians arising both before and during the pandemic.

CA ANZ notes that the Royal Commission's final report is expected by 26 February 2021 and hopes that at least by Budget night the government will be in a position to provide a detailed response to all recommendations, together with details of related funding arrangements.

Promoting access to affordable advice for consumers

CA ANZ has long advocated for industry reform to ensure that more consumers are able to access good quality, ethical and professional financial advice. Throughout the pandemic, Chartered Accountants have played a key role in assisting individuals and small businesses with government stimulus measures. For many Australians, accountants have been the first port of call. For those needing to reset and have a turnaround strategy, accountants will be first on the list to engage.

We therefore welcomed ASIC's Consultation Paper 332 'Promoting access to affordable advice for consumers' to help ASIC further understand the current issues and impediments around delivering affordable, quality personal financial advice. Following our three-year advocacy effort to channel member feedback to government and regulators on the regulatory burdens in the financial advice industry, we have therefore strongly encouraged our members to participate in ASIC's survey.

The industry has been through enormous regulatory change over the past 25 years. The ramifications of all these changes have been threefold:

- The cost of advice to Australians and businesses has become prohibitive;
- Less Australians are therefore accessing financial advice in circumstances (such as COVID-19) when it is most needed; and
- Financial advisers and accountants are leaving the industry in droves (over 15% reduction in each of 2019 and 2020),

Clients want a one-stop shop for their COVID-19 financial recovery strategy. On the flipside, many accountants want to be able to provide strategic advice for which they are highly qualified, without stepping into product advice which rightfully requires an Australian Financial Services Licence (AFSL).

The table below shows the most sought-after topic areas clients continually seek advice from our members on, which we believe should be allowed under a broadened scope outside of the AFSL regime, at least until a strategic advice model is developed.

	Contributions to that existing fund	Pensions from that existing fund	Appropriateness of establishment or wind-up of that fund
Super fund (but not an SMSF)	Yes	Yes	No, as this is product advice – should require an AFSL
SMSF	Yes	Yes	Yes, as this is a trust structure and structural advice should not require an AFSL

There is an urgency for this advice. Businesses are trying to recover and/or owners are trying to sell or consolidate to salvage what they can from businesses. Often that involves wanting to use the existing capital gains tax concessions for small business to rollover a capital gain from the sale of a business into a SMSF – but currently there are restrictions on the ability of accountants to establish a SMSF to receive such rollovers. As we believe this single-issue, single topic advice should not require an AFSL, we seek interim relief for this advice until a strategic model to be able to provide more affordable advice is developed.

As many Australians have accessed their super in record amounts because of withdrawals during the pandemic, broadened access to advice will help them restore their super balances.

Also, as this relief is client driven and is a suggested interim solution to assist clients with effect immediately, we do not believe successful completion of the FASEA exam is necessary for advice of this nature to be provided.

A strategic advice model for the entire industry that delineates product advice from strategic

recommendations needs to be developed. We don't believe highly qualified professionals who wish to solely provide strategic advice should necessarily fall under the FASEA umbrella, nor the rigors of the Corporations Act 2001. We do, however, support these regulations in a more simplified format for advisers under a full AFSL who recommend products.

CA ANZ holds grave fears that if interim and longer-term solutions are not implemented, many of our members will leave the financial advice industry on or soon after 30 June 2021, and that would be a considerable loss for everyday Australians who need financial advice.

There is, and will continue to be, a need for trusted advisers to look after the financial advice needs of everyday Australians. This will be best served by retaining Chartered Accountants in the financial advice industry and we will continue our efforts to support this, as any exodus of Chartered Accountants is likely to significantly reduce the overall level of training and expertise in the industry.

Superannuation and enhancing retirement incomes

COVID-19 has understandably seen the government delay a number of superannuation related policies, such as implementation of the Financial Services Royal Commission and responses to Productivity Commission superannuation review recommendations.

As our economy recovers from COVID-19 CA ANZ encourages the government to progress these areas as soon as possible.

The government has recently released the Retirement Income Review (RIR). The government should also release the modelling used to produce the RIR findings. CA ANZ encourages the government to announce what it intends to do about the RIR findings as quickly as possible so that the delayed Intergenerational Report can reflect both the changed policy landscape caused by the pandemic and the government's response to the RIR and potentially the Royal Commission into Aged Care Quality and Safety.

In our RIR submission, CA ANZ argued that it has been our view for some time that the retirement and superannuation system is too complicated for the average consumer to understand without obtaining professional assistance. Ideally a compulsory system should not have such outcomes and CA ANZ encourages the government to address these as a matter of urgency.

Increasing the Superannuation Guarantee

For some time, CA ANZ has argued that, in the current climate, the Superannuation Guarantee 9.5% rate should not be increased because many employers are struggling to survive and cannot afford any further additional imposts.

As pointed out by the government's Retirement Income Review (RIR), increases in compulsory employer superannuation contributions often also mean that employee salary and wages increase at a slower rate.

Australia's economic situation is best served by keeping employer costs lower and wage rises higher.

The RIR also pointed out that based on current policy settings many people in the workforce will retire with adequate retirement savings.

2. Resetting businesses

Targeted industry assistance

With JobKeeper scheduled to end on 28 March 2021, it is quite likely the government will announce targeted industry assistance well before the Budget is delivered.

The current design of JobKeeper – where eligibility is nation-wide, based on declining turnover between comparable periods regardless of the applicants' industry sector – means that JobKeeper may not accurately identify those business operating in sectors and geographic locations whose on-going financial difficulties are attributable to the impact of COVID-19 (as distinct from other factors such as poor management etc).

Supporting Australia's tourism sector should be a particular focus area.

More federally targeted assistance programs should be considered in the Budget context, with eligibility criteria including consideration of:

- longer-term business viability,
- the business operator's willingness and ability to restructure, and
- ability to repay any government assistance provided in revenue-contingent, debt form.

The patchwork nature of the COVID business recovery across Australia also means that State and Territory governments clearly have a role to play in providing such targeted assistance and although many have already embarked upon this course, more will likely be required.

Industry exit and adjustment payments

The obvious difficulty for government decision-making will be in determining the *duration* and *quantum* of further financial assistance.

Some industry participants will be beyond help post JobKeeper and CA ANZ therefore supports pre-Budget consideration of industry exit and adjustment payments, subject to strict eligibility criteria. The design of these should encourage re-establishment of business operations.

Helping small businesses access professional advice regarding their viability

The continued disruption caused by a devastating season of natural disasters in 2019/20 followed by a global pandemic has driven many small businesses to the brink. Modelling by Deloitte Access Economics estimates that about 240,000 small businesses in Australia are at risk of failure once JobKeeper support ends⁹.

Small businesses in financial distress need to speak with an accredited adviser such as a professional accountant to obtain advice on the viability of their business and how and whether to turn around their business or exist. This needs to be done as a matter of urgency while they still have options.

Business owners need to make informed decisions on how to reset their future, but many

⁹ [Hundreds of thousands of businesses face closure as the 'fiscal cliff' looms](#), Deloitte, 20 July 2020.

consider professional advice unaffordable.

CA ANZ, CPA Australia, the Institute of Public Accountants, the Australian Small Business and Family Enterprise Ombudsman, the Council of Small Business Associations Australia and the Institute of Certified Bookkeepers have made a united call¹⁰ on the government for a Small Business Viability Review subsidy to be included in the Budget, to help eligible small businesses access urgently needed professional advice.

Supporting a collective, coordinated approach to small business mental health

The mental health challenges facing small businesses and their professional advisers as a result of the bushfires have been compounded by COVID-19 and are reaching a crisis point. Accountants are on the frontline and are often the first to recognise such stressors amongst their clients.

CA ANZ, CPA Australia and the Institute of Public Accountants support a collective, coordinated approach to early identification, management and prevention of mental health conditions. We encourage the government to continue its support for vital initiatives in this area.

The professional accounting bodies are working together¹¹ to equip accountants to recognise and support their clients and employees in dealing with mental health issues. The profession is also working in cooperation with professional mental health clinicians, including through collaboration with Deakin University, Beyond Blue, Mental Health First Aid Australia and Worksafe Victoria.

Infrastructure investment

The government should continue to support and expedite infrastructure investment opportunities using as its guide the Infrastructure Priority List of nationally significant investments, as independently assessed by the Infrastructure Australia Board. The so-called “double dividend” of such expenditure – increased economic activity and enhanced productivity – will do much to support the economic recovery and long-term wellbeing of Australians. Public private partnerships and opportunities for investment by large superannuation funds should be also considered.

Insolvency

CA ANZ welcomed the insolvency reforms as a response to the nation's impending insolvency cliff, which may ultimately offer benefits to viable small businesses.

The new scheme only commenced on 1 January 2021. It is acknowledged that issues arise when establishing and implementing rigorous reforms in such a short timeframe. Nevertheless, the long-term integrity of the external administration system, the public's confidence and a sustainable economic recovery are dependent on ensuring robust processes.

However, given the speed of introduction and the complexity of the reforms this could result in court clarification of the uncertainties, which will inevitably lead to additional costs for those involved.

¹⁰ [Joint statement](#), 2 October 2020.

¹¹ CA ANZ, CPA Australia, IPA and Deakin University [joint media release](#) 8 November 2020

CA ANZ strongly recommend the legislation includes a full and comprehensive review late this year (within 12 months) to ensure the reforms are operating as intended, there are no unintended consequences and providing clarification where needed.

In particular, we remain concerned at the lack of information in the subordinate legislation of the insolvency reforms on the qualifications, knowledge and experience requirements for restructuring practitioners.

The anticipated significant surge in corporate insolvencies is expected following the end of the temporary measures lapse in early 2021. After nearly a year of temporary support measures, a very large number of affected companies may have a substantial debt burden, low level of physical assets available for restructure and very modest cash generating prospects. CA ANZ considers it critical that the reality of this situation, should, in no way, be compounded by allowing a false hope of a Part 5.3B restructure delivering a return to viability. A critical issue here will be for businesses to act early, while their debts have not accumulated to such a level that restructuring is no longer an option.

Federal and State \ Territory collaboration to support business travel

Although COVID-19 has encouraged many to embrace work-from-home arrangements, many Australia's business have nonetheless been impacted by travel restrictions.

In the accounting profession for example, the restrictions have impacted the global movement of audit personnel whose skills are vital to the preparation of financial reports. Australians in careers where skills are enhanced by international work experience or qualifications have been held back. The reduction in seasonal labour in the rural sector is another example.

Governments throughout Australia – acting under the auspices of National Cabinet – have more to do in:

- Restoring traveller confidence with clearer, consistent guidance on border lockdowns,
- Supporting the gradual, safe return of international travel with trusted “COVID-safe” neighbouring countries such as New Zealand, and
- With increasing levels of vaccinations, developing an international model for “COVID inoculated” passport identifiers.

As part of Budget-related economic announcements, CA ANZ urges the government to outline how it will fast-track COVID-safe plans enabling Australian businesses to start travelling again.

Enhancing Australia's trade arrangements

Both COVID-19 and recent geo-political developments in our region have highlighted the plight of Australia's many trade-exposed businesses. President Biden's recent “Buy American” Executive Order has raised concerns about his administration's plans for global trade and economic cooperation.

On the other hand, BREXIT outcomes in Europe have rekindled business hopes for progress on a free trade agreement with the [United Kingdom](#) and the [European Union](#). Trade tensions with China have incentivised Australian businesses to diversify export destinations.

The Budget provides a platform for the government to inform the Australian business community on the progress of trade negotiations, plans for negotiations with other nations or trade blocs,

and how it intends to fast-track these processes.

National Cabinet – Beyond COVID

The success of the National Cabinet model during COVID-19 led to the identification of priority areas of reform and the formation of six National Cabinet Reform Committees:

1. Rural and Regional Australia
2. Skills
3. Energy
4. Infrastructure and Transport
5. Population and Migration
6. Health

In addition, the Council on Federal Financial Relations was tasked to progress reforms in the areas of tax and deregulation, with an initial focus on the latter¹².

Business deregulation across Federal and State / Territory laws and agencies has long been advocated by CA ANZ and is seen within the accounting community as an important part of the road to recovery. The six specific project areas are also of great interest to our community.

3. Resetting the economy

(a) Tax and superannuation issues

Tax reform: mapping out a program of work

As Australia begins the long road to recovery, it seems to CA ANZ that 2021 will be a year of consolidation.

“Big” tax changes are likely to be off the table, acknowledging that businesses in particular need a period of policy stability.

The government’s laudable COVID business investment stimulus measures need time to do their work. Consumer spending should be encouraged, not hampered by major changes to tax policy.

That said, CA ANZ and many other business and professional associations have long advocated for tax reforms which contribute to a more sustainable tax base capable of funding public goods and services. With the underlying cash balance in 2020-21 forecast to be a deficit of \$197.7 billion (9.9 per cent of GDP) and high government debt levels and wage growth at historically low levels, it is clear budget repair will not be achieved by economic growth or bracket creep.

CA ANZ therefore suggests the government use the Budget as an opportunity to reset community thinking – to be transparent about the difficult task ahead, and to *prepare* the community for a discussion on *possible* tax reform options.

Tax reform is never easy but the government does have resources to start the ground work, such as the Board of Taxation, the recommendations of the Henry Tax Review and the March

¹² [National Cabinet Reform Committees](#), Department of Prime Minister and Cabinet.

2015 *Re:think Tax Discussion Paper*.

Failure to at least start the tax reform and budget repair conversation in advance of the next Federal Election – which some commentators believe could be held this year – could see tax again become a “winners v losers” political dogfight, rather than a well-considered policy design and development process so vital to Australia’s future.

Specific tax issues the Budget should address

There are nonetheless a number of specific tax issues which CA ANZ considers should be addressed in the Budget:

- Uncertainty continues to surround a large list of announced and unenacted measures. This list needs to be reviewed and announcements made as to whether or not the items on the list are proceeding and when to provide certainty to businesses. Of particular interest to our members are Division 7A, reforming corporate tax residency and the modernisation of tax treaty programme.
- The government has already introduced a limited, temporary loss carry-back for companies. However, most small businesses are sole traders or partnerships. CA ANZ notes that the equivalent measure in New Zealand extends further than just incorporated entities and suggests the government consider the breadth of the Australian legislation.
- CA ANZ also notes that the New Zealand government proposes a *permanent* tax loss carry-back scheme, applying to the 2021-22 and later income years. A public consultation process is drawing to a close. Making loss carry backs a permanent feature of the Australian income tax law would help build business (particularly small business) resilience during future economic downturns, and was recommended in the Henry Tax Review. CA ANZ urges the government to consider making loss carry-backs a permanent feature of the income tax law.
- Resetting business after COVID will mean that some businesses will be looking to restructure how they operate. Australia’s tax provisions, particularly the CGT small business rollover provisions are notoriously hard to navigate. CA ANZ supports the Board of Taxation’s (BoT’s) recommendations in the review of small business tax concessions to modify the small business CGT rollover provisions to make them simpler, fairer, and more sustainable. The recommendations that should be implemented as a package include:
 - raising the aggregated turnover threshold to \$10 million per annum;
 - repealing the maximum net asset value test; and
 - collapsing the 15-year exemption, active asset reduction and retirement exemption and replacing them with one CGT exemption subject to a cap.
- Consideration should also be given to the BoT recommendation which would allow small businesses the option to calculate their PAYG instalments based on real-time tax adjusted accounts. This should form part of a broader program of work to simplify business regulation by making compliance easier through digitalisation that uses natural reporting systems (with the added benefit of better quality, more timely data for business operators and government).
- The government should use the Budget as an opportunity to update the community on

progress on:

- the sharing economy reporting regime (this recommendation from the Black Economy Taskforce was started but halted due to the need to respond to COVID); and
 - the [OECD / G20](#) Inclusive Framework on BEPS and the Blueprints of Pillar One and Pillar Two.
- Aligning small business definitions has been strongly advocated by CA ANZ and others for a long time. In the last Budget the government announced that some small business concessions would be available for up to \$50 million turnover entities. This raises the obvious question as to why this threshold is not more broadly available. We urge the government to continue its work creating a more uniform, whole of government approach to small business definitions.
 - During 2020 CA ANZ [wrote](#) to the Treasurer¹³ proposing changes to the FBT law. Notwithstanding FBT changes announced in the previous Budget, many of the ideas raised in that letter remain relevant and result in compliance savings without compromising revenue. CA ANZ again asks that consideration be given to the matters raised.

It is noted that definition of car parking in TR2019/D9 for the purposes of the fringe benefits tax legislation is contentious. Many employers believe that the interpretation in the taxation ruling and court cases has gone beyond the intent of the legislation and that a legislative change is required, particularly as the pandemic has resulted in more people using private cars rather than public transport.

(b) Improving the Budget reporting framework

Measuring Australia's recovery and building resilience

2020 has shown us that decisions made to protect our health, society and futures may outweigh the expected (negative) financial impacts. In this current environment, it is important that commitments and investments continue to build a country better prepared for the future. It is therefore logical that as our progress is measured, it is based on *broader* indicators covering our society, the economy and the environment.

As a nation, we typically place undue focus on traditional, short-term economic measures, such as GDP, to benchmark Australia's success.

CA ANZ recommends the measures of progress are broadened to focus on how we reset, recover and rebuild. This focus will require consideration of important societal values and objectives that cannot be measured solely by standard economic performance indicators.

More than ever, the 2021 Budget should focus on goals which address social cohesion, inequality, skills development, the digital divide, intergenerational equity and environmental quality. It is important that the Treasurer's messaging clearly articulates the longer-term benefits of policies, not just to the economy but to society and the environment.

New Zealand's "wellbeing" budget model for example has shifted the focus onto outcomes that are important for all New Zealanders. The foundation is the NZ Treasury's Living Standards

¹³ [CA ANZ letter dated 3 June 2020](#).

Framework, which takes a multi-capital approach to decision making. The economic perspectives, whilst included in the Budget, represent the means with which to fund the wellbeing initiatives, through economic sustainability and creating the right enablers for business and society to prosper.

Clearer measures and benchmarks, such as the former Australian Bureau of Statistics (ABS) Measures of Australia's Progress (MAP), with reportable timeframes are needed in order to provide transparency on Australia's future progress.

Provide clearer direction for Australia's pathway to a net zero emissions economy

Amidst ever-growing evidence of the scale and severity of the effects of climate change, Australia's commitments in this space are no longer keeping pace. As the Prime Minister said on Monday 1 February 2021 *'Our goal is to reach net zero emissions as soon as possible, and preferably by 2050.'*

However other nations (including Australia's major trading partners) are strengthening their commitments to a net zero emissions pathway, particularly through legislation. Increasingly, those commitments are impacting the terms on which such countries trade, with indications they could impose cross-border carbon tariffs on their trading partners, who don't have a price on carbon.¹⁴

Globally, the race is on to develop and adopt clean, green technology and there may be a significant opportunity for Australia to become a superpower in renewable energy, low carbon industry and carbon sequestration.¹⁵

Early signs are that the Biden Administration will see the USA move quickly on a range of environmental issues, "guided by the best science."¹⁶

We also draw the Treasurer's attention to:

Research by Deloitte Access Economics¹⁷ which shows the significant economic cost of inaction on climate change for Australia compared to the potential economic growth on offer.

The Australian Sustainable Finance Initiative Roadmap¹⁸ – produced by a coalition across major banks, insurers, super funds, civil society, and other leading stakeholders – recommends the establishment of targets and trajectories to support net-zero aligned decisions.

In some cases, the transitions to new policy settings will not be easy, requiring inclusive, well-coordinated planning and a collaborative approach when working with affected businesses, vulnerable citizens and communities.

But there are also important business opportunities to be fostered.

For example, the Climate Change Authority has identified¹⁹ significant opportunities to use innovation as a lever to help create new industries and technologies in Australia that are fit for

¹⁴ [Vital Signs: a global carbon price could soon be a reality](#), theconversation.com, 13 November 2020

¹⁵ P8-9, SuperPower: Australia's Low-Carbon Opportunity, Ross Garnaut, November 2019

¹⁶ [Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis](#), President Biden, 20 January 2021; [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), President Biden, 27 January 2021.)

¹⁷ [A new choice: Australia's climate for growth](#), Deloitte, November 2020.

¹⁸ [Australian Sustainable Finance Roadmap](#), 24 November 2020.

¹⁹ [Economic recovery, resilience and prosperity after the coronavirus](#), Climate Change Authority, 17 July 2020.

purpose in a carbon constrained world. Investing in a greener recovery can also be a strategy for tackling unemployment resulting from the pandemic.

The importance of sustainability and climate change issues to the accountancy profession

A CA ANZ member survey in 2020²⁰ indicated strong member support (71%) for advocacy on sustainability and climate change issues. Professional accountants have a responsibility to act in the public interest and our Royal Charter compels us to advance the profession in all aspects. Many Chartered Accountants are actively engaged in reporting on sustainability issues and environmental regulatory compliance as part of the growing role for accountants in reporting and advising on non-financial business metrics.

Chartered Accountants also regularly advise clients on important long-term investment decisions for projects whose outcomes may be affected by relevant regulatory change and technological developments here and abroad. Policy uncertainty imperils such projects.

The government should also note that global capital markets are increasingly signalling the need to obtain *more* insights on climate-related risks to investor decision making.

Nations including the United Kingdom and New Zealand have indicated their intention to mandate climate-related financial disclosures for certain businesses in the coming years.

The Australian Sustainable Finance Initiative has recommended that the ASX 300 and financial institutions report according to the Taskforce on Climate Related Financial Disclosure recommendations²¹ by 2025.

We consider the Financial Reporting Council (FRC) to be the appropriate body within Australia to participate in relevant global forums as the convergence of the global reporting system continues. This includes developments such as the IFRS Foundation broadening its remit with the support of IOSCO to take an oversight role on global sustainability reporting standard setting.

The IFRS Foundation Trustees have just announced the next steps in response to broad demand for global sustainability standards.²² The responses to their recent consultation indicate growing and urgent demand to improve the global consistency and comparability in sustainability reporting and broad demand for the IFRS Foundation to play a role. The Trustees also noted the need for urgency to deliver global standards, most notably on climate.

We suggest the FRC, through its Chair, to report to the Assistant Treasurer on these global developments and their implications for Australia, taking any appropriate action within the FRC's remit, and making recommendations to government.

CA ANZ recommends that the Government monitor these developments closely to ensure Australian corporate reporting is in line with global best practice and that from a financing and investment perspective, Australian businesses are well positioned.

²⁰ [Members support CA ANZ's climate change advocacy | CA ANZ \(charteredaccountantsanz.com\)](#), March 2020

²¹ [TCFD recommendations on climate-related financial disclosures](#).

²² [IFRS Foundation Trustees announce next steps](#) – 2 February 2021

Appendix B

Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 128,000 financial professionals and as such is the 6th largest accounting professional body in the world. CA ANZ supports its members 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. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship TEQSA accredited 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. Outside of the university sector, we are one of the largest course providers in Australia.

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 13 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 10 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.