

Mr. John Hawkins
Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 1600
Parliament House
CANBERRA ACT 2600

By Email: ecomomics.sen@aph.gov.au
cc. geoffrey.dawson@aph.gov.au

Re: Senate Committee Inquiry into Tax Agent Services Bill 2008

SUPPLEMENTARY SUBMISSION

Dear Sir

We refer to recent discussions with Mr Geoffrey Dawson regarding the omission of AAT Australia from the witness list for the Senate enquiry hearing scheduled for 6 February 2009 in Canberra. Our complaint was based upon the concern that there are several issues that we have opposing views to the Australian Association of Professional Bookkeepers (AAPB) and the Institute of Certified Bookkeepers; that in the absence of our attendance would be unchallenged. We therefore seek the Committee's leave to make a further submission in regard to those matters.

Attached is our supplementary submission covering those matters and, also for the information of Committee, excerpts from a survey AAT Australia conducted in December 2008 specifically for the purpose of the enquiry. The survey was distributed to 1,382 bookkeepers of whom 172 (12.4%) responded and is therefore a reasonably indicative representation of their attitude to a number of issues around the introduction of the legislation.

We trust that the information provided will contribute positively to the enquiry and we look forward to the outcome in due course.

For additional information please contact Robert Hutt, Education and Technical Manager, on 0408 772 297 or email robert.hutt@aat.org.au.

Yours Faithfully



Robert Comelli
Chief Executive Officer

SUPPLEMENTARY SUBMISSION RE: ECONOMIC COMMITTEE INQUIRY TAX AGENT SERVICES BILL 2008

Preamble

AAT Australia is the leading professional organisation representing account keeping practitioners that will be the subject of the regulatory structure to be introduced by the passing of the Tax Agent Services Bill 2008.

The AAT Australia constitution and structure has been established on the professional accounting institute model. It includes a substantive ethics provision, active disciplinary procedures and committee and provides continuing education programs. AAT Australia is establishing a Members in Public Practice category for BAS Agent members that will include a Public Practice seminar. AAT Australia is the only bookkeeping association that has adopted Australian Training Qualification Framework endorsed qualifications as its member entry level educational standards. Certificate IV Financial Services (Accounting) and the (Bookkeeping) version.

AAT Australia represents bookkeeper members in public practice, government, employed in small to medium size businesses and as accounting support staff in larger organisations.

AAT Australia advised the Secretariat for the Committee that due to the Association not being invited to participate in the hearing we have concerns that views that have been put by two organisations, Australian Association of Professional Bookkeepers (AAPB) and The Institute of Certified Bookkeepers (ICB) would not be challenged and the Committee would be deprived of a competing opinion. We therefore seek leave of the Committee to address several specific issues raised by the AAPB and ICB.

Australian Association of Professional Bookkeepers (AAPB) Submission

General Comments

1. "The proposed approach of opening the "flood gate" to allow all bookkeepers to enter the tax practitioner system without proper vetting or skills evaluation continues to leave the level of competency within the bookkeeping industry under question."

AAT Australia

The legislation and Regulations clearly provide for an experience requirement as well as a formal qualification. In addition, many prospective BAS agents will gain their formal qualification via a skills assessment program that will effectively determine their proficiency against the formal qualification standards in each case ensuring the level of their competency.

2. "The inclusion (*of the Cert. IV Accounting version*) contradicts the DEST National Project Reference Group with representation from National Institute of Accountants (NIA), Association of Accounting Technicians (AAT) and Australian Association of Professional Bookkeepers Ltd (AAPB) unanimous agreement to develop a new qualification specifically for contracting and employed bookkeepers performing BAS related services. The group unanimously agreed the existing qualifications including the Certificate IV in Financial Services Accounting did not meet the needs of the bookkeeping industry."

AAT Australia

The statement is completely erroneous. Neither AAT Australia nor the National Institute of Accountants supported the concept of a new qualification specifically for contracting bookkeepers nor did either formally endorse the standard. In fact both were opposed to that course. Nor did either organisation agree the Certificate IV Accounting did not meet the needs of the bookkeeping industry.

There is broad industry agreement and support that Cert.IV Accounting is an appropriate standard for contract bookkeepers.

The Innovation and Business Skills Australia [the government appointed industry consultation agent for the development and certification of qualifications under the Australian Training Qualifications Standards (AQTF)] has commissioned a comprehensive review of both Certificate IV Accounting and the Bookkeeping version which has recently commenced. The education requirements necessary to underpin the legislation will be a significant part of that review process possibly in consultation with the new national Tax Practitioners Board.

2. Regulations – Part 2 BAS Agents & Qualifications

Para 2 "The prescribed qualifications identified for BAS Providers are not congruent with the government's nationally endorsed recognised qualification from the Department of Education, Science and Training (DEST) and the unanimous agreement by industry and the professional associations represented on the National Project Reference Group. (Professional associations were NIA, AAT and AAPB) the unanimous agreement by industry and the professional associations represented on the National Project Reference Group. (Professional associations were NIA, AAT and AAPB)."

AAT Australia

It is our understanding that DEST and certainly AAT Australia and the National Institute of Accountants have not formally endorsed the Certificate IV Bookkeeping as the preferred qualification for contract bookkeepers or excluded the Cert. IV Accounting version as an inappropriate educational outcome for that purpose.

The Institute of Certified Bookkeepers (ICB) Submission

Submission paper "A"

This legislation will NOT have the impact stated in the Explanatory Memorandum

The Tax Agent Services Bill 2008 only relates to segment 3 "external or contract bookkeepers"

In relation to preparation and lodgement of the BAS (ignoring any definitional issues for the moment) 75% of businesses prepare and 72% lodge their own Business Activity Statement ("BAS") 5 with only 8% utilising a bookkeeper to prepare and 4% to lodge the statement.

AAT Australia

The data presented in Appendix 2 appears to be inconclusive if considered with assumptions reached on the basis of the application of the current law. It is suggested the current law that disallows bookkeepers from lodging BAS is not known by many bookkeepers or their clients or is simply breached by many bookkeepers resulting in many business owners declaring that they prepare and lodge BAS to protect themselves and/or their bookkeeper. Also many bookkeepers work under the direction of a registered tax agent (accountant) who may have been identified as the accountant instead of an independent bookkeeper.

Three observations

- 1) Businesses utilise different people to provide different aspects of their many record keeping and compliance duties

AAT Australia

In most situations businesses utilise the services of a bookkeeper who compiles reports for the preparation of a BAS often under the direction or with the involvement of an accountant or tax agent. The engagement of additional services would be uncommon.

- 2) Businesses may engage a bookkeeper to assist them with entering transactions 4%, but then more businesses engaged a bookkeeper to prepare the BAS 8%; indicating the multifunction roles but also the different types of engagement of external bookkeepers

AAT Australia

*According to the data 8% **prepare** the BAS and 4% **lodge** BAS reflecting the effect of the current law where bookkeepers are permitted to prepare data and reports for the BAS but are not permitted to lodge it legally. The data does not necessarily indicate the engagement of different individuals or the application of different skill sets. The individuals engaged would have the same skills but due to the operation of the law one group (those working under the direction of a registered tax agent for instance) can lodge the return.*

- 3) Only 8% of small business engage an external bookkeeper to assist with preparation of the BAS.**

Para.4 (Page 5)

Assuming the number of small businesses in Australia can be accepted to be 1.7m this indicates 136,000 small businesses will be affected by this legislation.

Para. 5 (Page 5)

ATO bookkeeper industry surveys (unreferenced) indicate that the professional bookkeeper works with between 15 & 20 clients on average resulting in an indicative number of external bookkeepers active in the Australian market of approximately 8,000.

AAT Australia

The ATO BAS Service Providers Survey December 2006 estimates there are 16,000 contract bookkeepers servicing small businesses which aligns with various industry surveys and estimates. On the basis of the foregoing reasoning taking the average of 17.5 clients per bookkeeper, 280,000 small businesses or 16.5% engage bookkeepers and would be affected by this legislation. These exercises serve to highlight the absence of reliable data of the numbers of contract bookkeepers. Even if the number were 136,000 that would arguably be sufficient to warrant the regulation of bookkeeping practitioners who service them and the integrity of the tax system. Growth projections for the numbers of bookkeepers have also not been considered.

Analysis of costs (Page 8) Submission Paper B (Page 11)

Compliance costs

AAT Australia

The increased cost to small business has been overstated and the benefits that will flow from the registration in the form of;

- ❖ Increased reliability of the accuracy of their accounts for both GST compliance and the preparation of their tax returns that are based on the reports they prepare have been ignored.*
- ❖ Avoidance of accountant fee costs for re-working accounts.*
- ❖ An important aspect is that clients will be able to identify practitioners who have the relevant experience and qualifications*
- ❖ Avoidance of ATO penalties and interest for error or omission; have not been considered.*

A more accurate assessment of the costs compared with the ICB calculation has been included as Attachment 1.

02 February 2009

Attachment 1

COST TO SMALL BUSINESS OF THE TAX AGENT SERVICES BILL 2008

	ICB ASSESSMENT		AAT AUSTRALIA ASSESSMENT
Estimated Bookkeeper working time	684		1,117.2
Estimated Bookkeeper Income	\$30,780		\$50,274 ⁽¹⁾
Average Fee Rate Charged	\$45 per hour		\$45 per hour
	First year costs	Ongoing Direct Costs	First year costs
Attaining education level or skills assessment	\$1,600	-	\$800 ⁽²⁾
Professional Indemnity Insurance	\$600	\$600	\$295 ⁽³⁾
Continuing Professional Development 15 hours	\$1,000	\$1,000	\$350 ⁽⁴⁾
Computerisation – Hardware	\$1,000	\$1,000	Nil ⁽⁵⁾
Computerisation – Internet Access	\$500	\$ 500	Nil ⁽⁵⁾
Application Fee	\$30	-	\$30
Total	\$4,730	\$3,100	\$1,475
Revised Gross income to provide equivalent earnings	\$ 35,510	\$ 33,880	\$51,749
Loss of Billable Time First year Ongoing			
Proving education level	24 hours	-	40 hours ⁽⁶⁾
Ongoing CPD	-	12 hours	15 hours ⁽⁴⁾
Administration	6 hours	6 hours	6 hours ⁽⁷⁾
Total	30 hours	18 hours	61 hours
Revised net available billable hours	654	662	1,056.2
Therefore revised charge rate must increase to	\$54.30	\$51.17	\$49.00
Percentage increased cost to small business;	20.6%	13.7%	8.9%
AAT Ongoing Annual Increased Cost (on the basis of subtracting the once only education cost \$800)			7.2%

See notes on following page.

Notes

- (1) Average income: Based upon the June –July 2006 ATO BAS Service Providers Survey. Practitioners were segmented into High; Medium; Low and BK General groups rated upon their degree of professionalism (an additional category – BK Tax Practice was omitted from the assessment as the specific hours for the group were not included in the survey). Each group surveyed nominated an average working time per week. The average working time per week is calculated utilising the hours nominated and weighted with the percentage representation of each group. The result is 29.4 hours per week (which incidentally is very similar to the BK General part time/casual hours nominated by that group).

On that basis, using the estimated hourly rate of \$45 and assuming practitioners work 38 weeks per annum (most would work longer) the average hours are 1,117.2 and the income would be \$50,274.

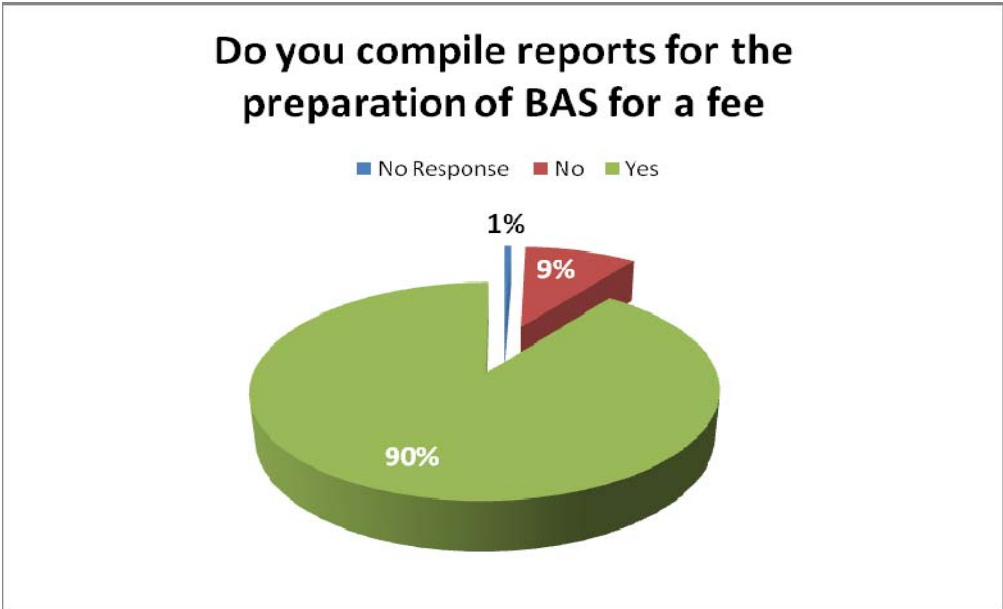
- (2) Accounting Education Australia rate to complete a Certificate IV Financial Services (Accounting) qualification assessment is currently \$799.00 or often available at \$599. The Bookkeeping version that AEA are developing will be the same or lower rate. We are also aware of other private providers offering a mix of accreditation through Recognition of Prior Learning or Recognition of Current competencies and training delivery for educational gaps.
- (3) Association of Accounting Technicians Australia (AAT) offer a \$1Million cover for \$295 with a \$500 excess payable in the event of a claim.
- (4) AAT Australia currently offers CPD courses in most states that attract high attendances. AAT Australia will ensure BAS Agent members will complete a minimum of 15 hours per annum composed of a mix of accounting and software course hours that many bookkeepers are attending currently that can be endorsed as eligible CPD time.
- (5) Almost all bookkeepers already possess the computer hardware and software to undertake the work and therefore it is not seen as an additional cost.
- (6) The times allocation to complete a skills assessment for Certificate IV Financial Services (Accounting) through the AEA program is estimated to be 40 hours assuming the individual has five or more years experience in a reasonably broad scope of account keeping.
- (7) Bookkeepers currently spend time on their business administration. They will also be required to commit time to research and self education to ensure their account keeping and the advice they are providing to their clients is accurate and compliant. Most professionals accomplish this by joining a professional association which provides them with support and information in this area. Therefore the down time equivalent equates to about an AAT Australia annual subscription.



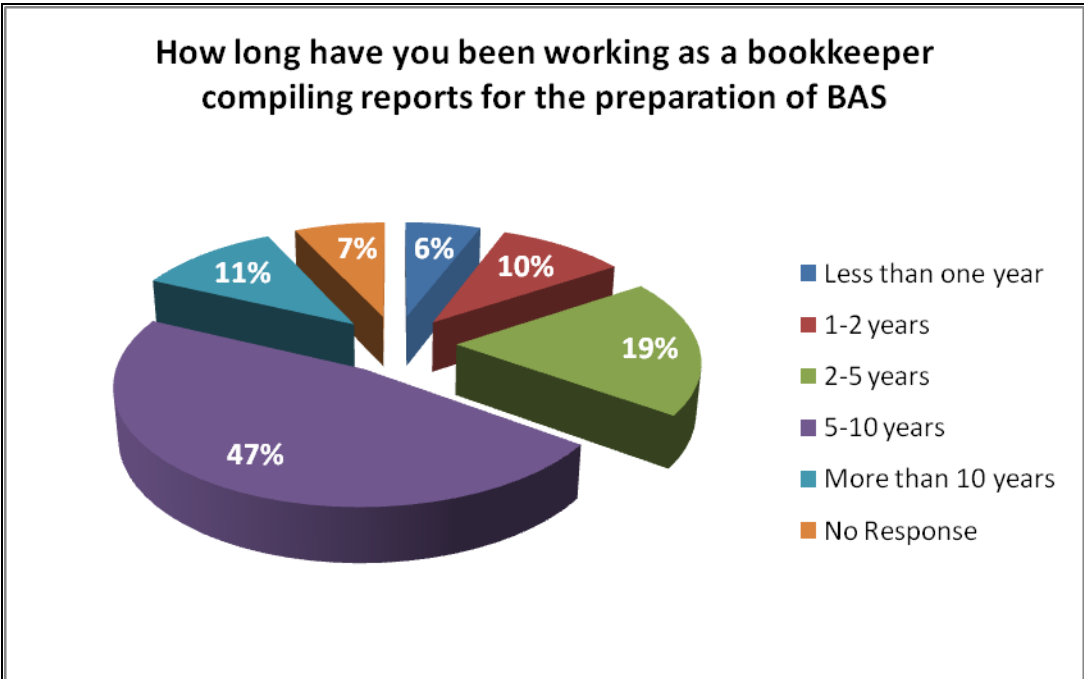
ASSOCIATION OF
ACCOUNTING TECHNICIANS

Tax Agents Services Bill 2008 Survey Results

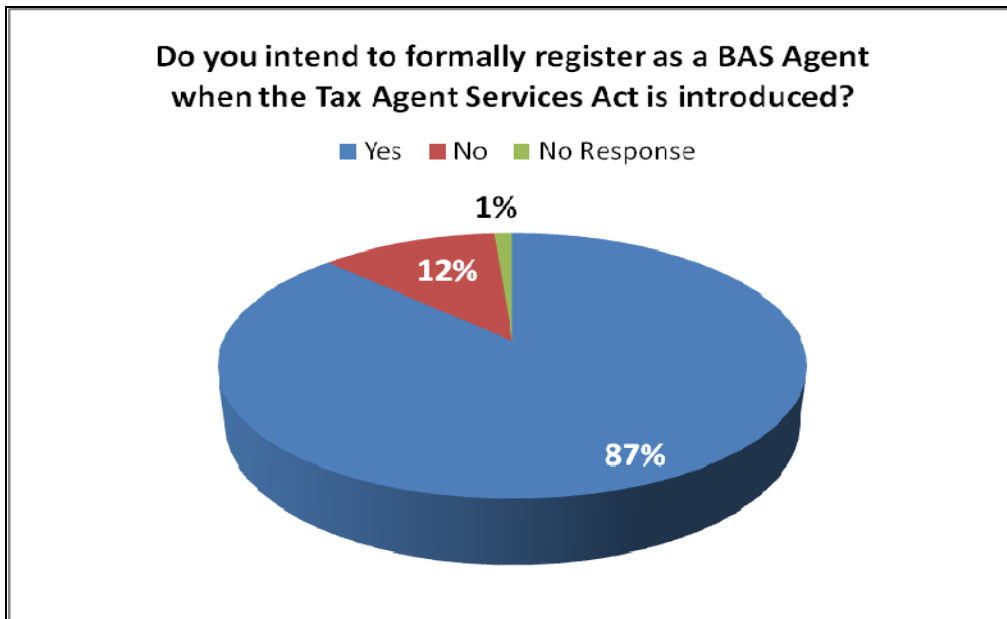
Question - Do you compile reports for the preparation of BAS for a fee (this does not include persons employed by a company)?



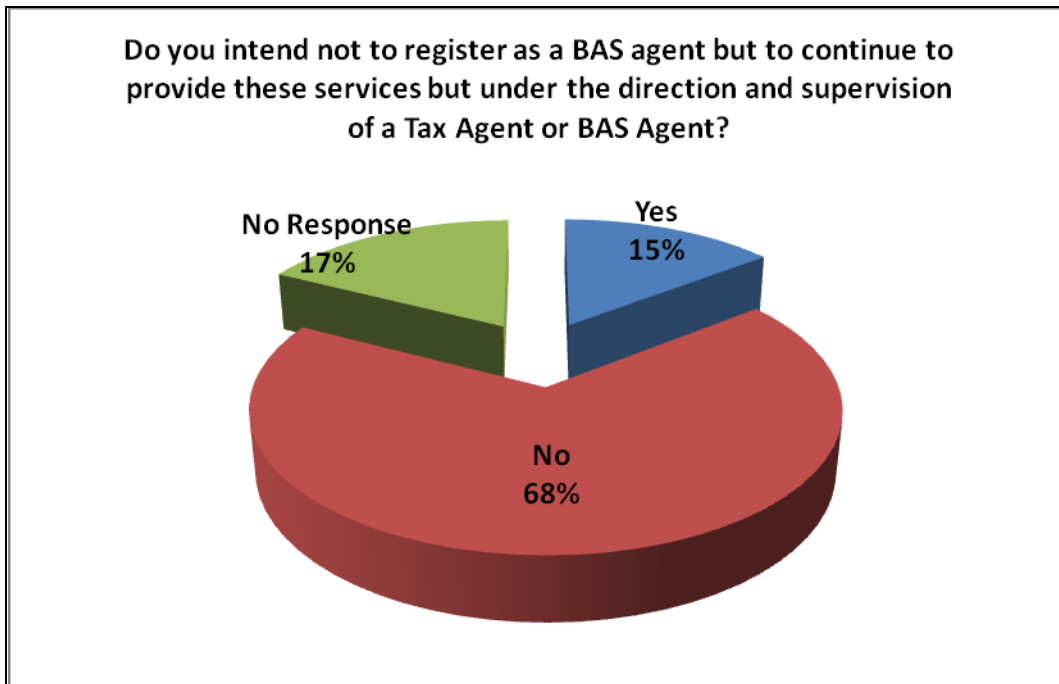
Question -If yes, how long have you been working as a bookkeeper compiling reports for the preparation of BAS?



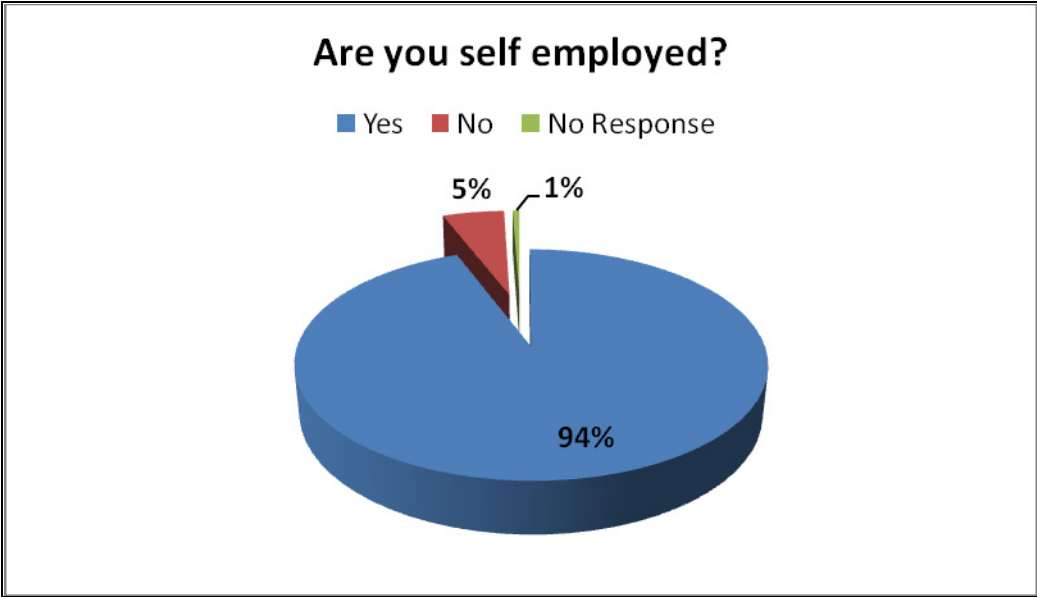
Question -Do you intend to formally register as a BAS Agent when the Tax Agent Services Act is introduced?



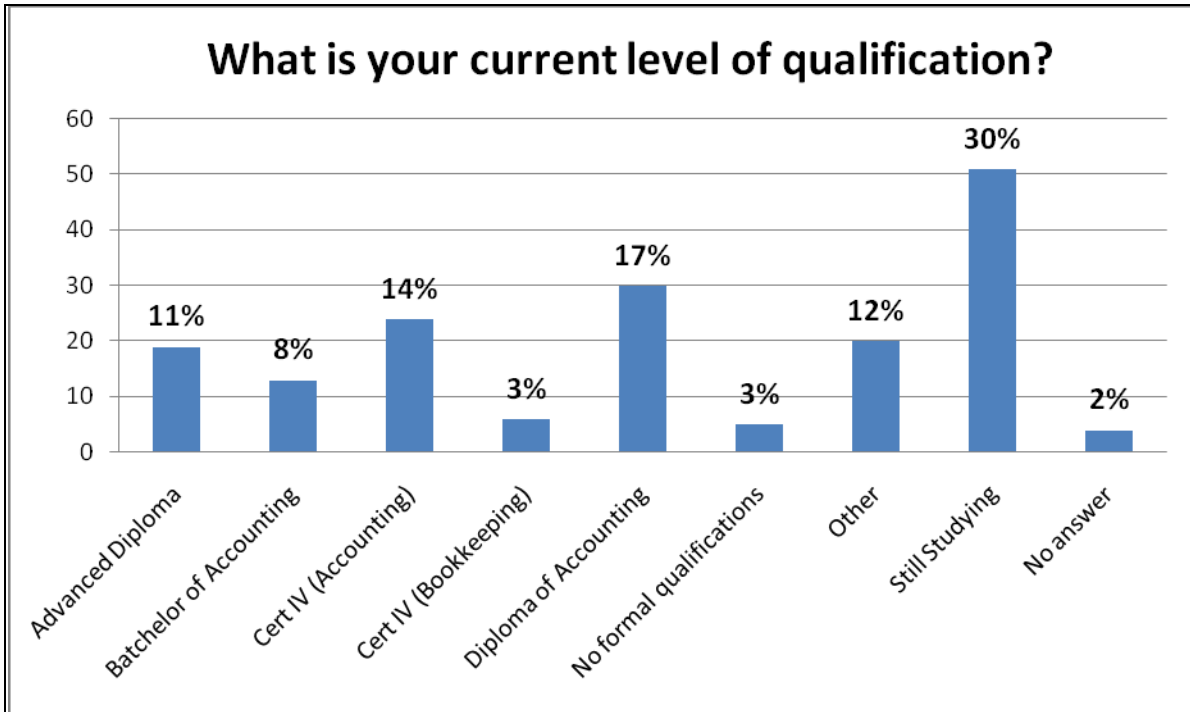
Question – Do you intend not to register as a BAS agent but to continue to provide these services but under the direction and supervision of a Tax Agent or BAS Agent?



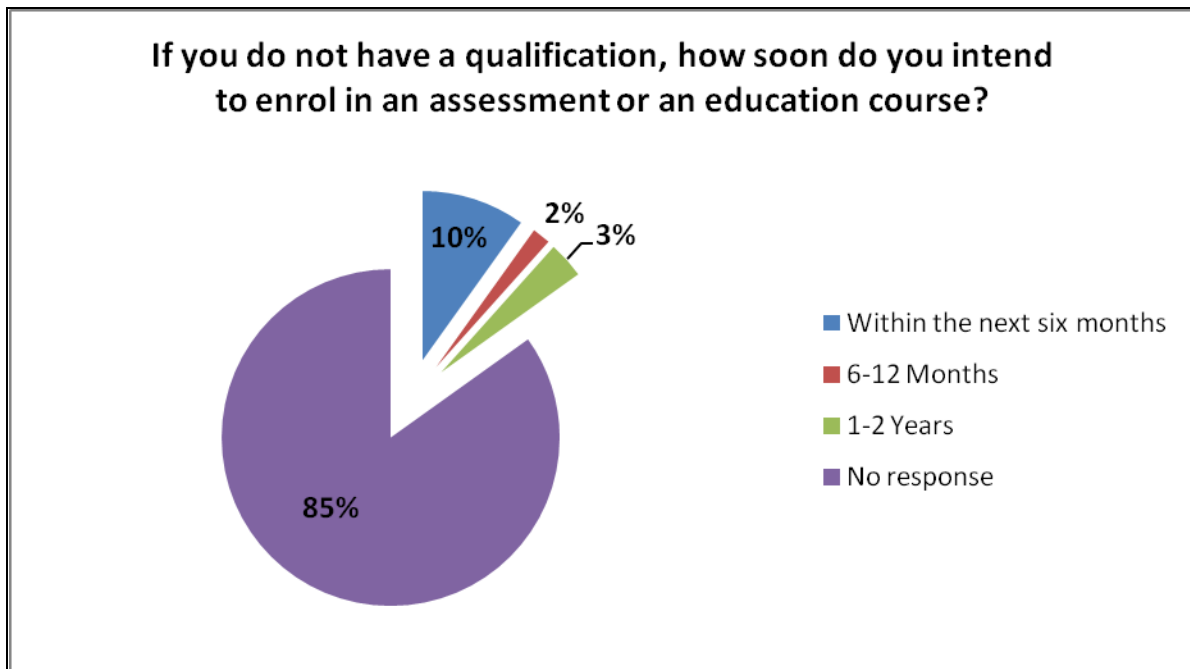
Question - Are you self employed?



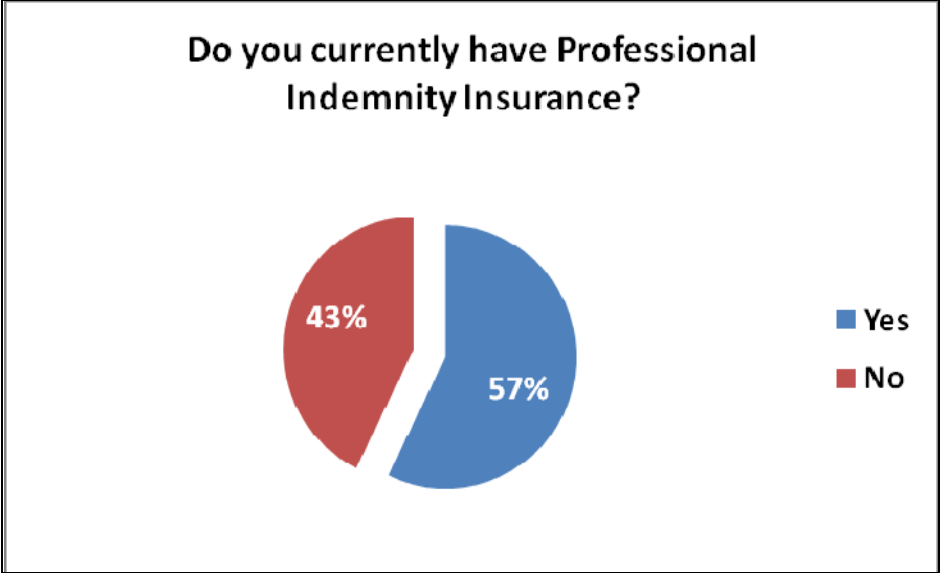
Question - What is your current level of qualification?



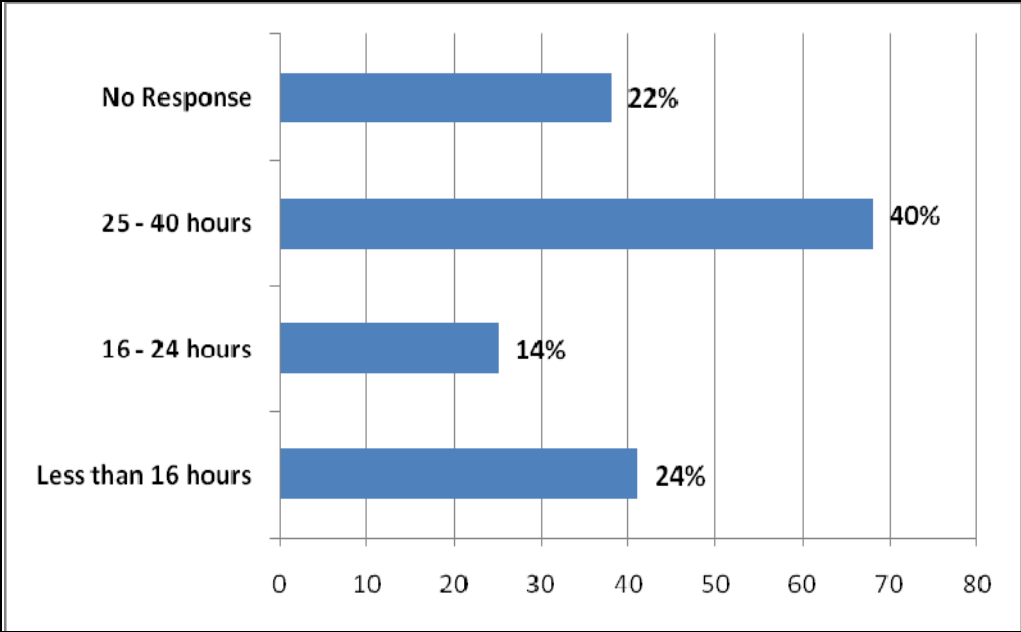
Question - If you do not have a qualification, how soon do you intend to enrol in an assessment or an education course?



Question - Do you currently have Professional Indemnity Insurance?

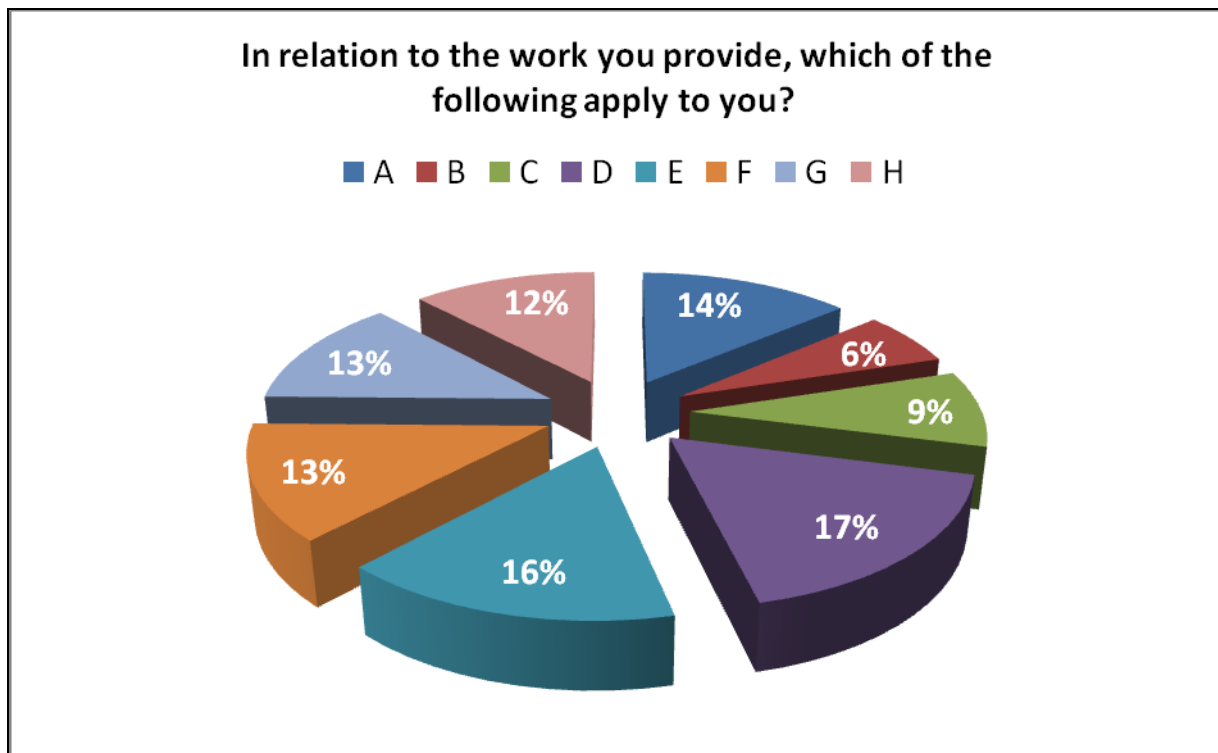


Question - How many hours do you work a week (on average)?



Question - In relation to the work you provide, which of the following apply to you? (you can choose more than one option)

- A)** Simple data input services (i.e. you input data from source documentation [purchase and sales invoices, and other transactions] and you provide the resultant account reports to the client or their accountant/tax agent).
- B)** You work under the overall direction of an accountant/tax agent who reviews your work.
- C)** You refer any unusual transaction to the client's accountant/tax agent.
- D)** You set up a chart of accounts in a software program for clients including encoding the GST rate in relation to each supplier.
- E)** You input data from source documentation (purchase and sales invoices, and other transactions) independently from the client's accountant/tax agent.
- F)** You make decisions in regard to routine transactions that may require a different GST input treatment (a different GST rate; maximum allowable input credit; purchases of assets; hire purchase transactions).
- G)** You provide the resultant account reports to your clients with any explanations required prior to them preparing the approved BAS statement and lodging it with the ATO.
- H)** Your clients rely upon the reports you present and prepare their BAS from that data without reviewing them or otherwise checking them.



Question - What proportion of your weekly working time is spent reading, researching or finding out information regarding the GST/BAS or basic accounting principles relevant to the services you provide:

