2021-22 FEDERAL BUDGET SUBMISSION

February 2021

CPA AUSTRALIA

Introduction

CPA Australia represents the diverse interests of more than 166,000 members working in over 100 countries and regions around the world. We make this Federal Budget submission on behalf of our members and in the broader public interest.

While positive economic momentum is building, the risk of further COVID-19 outbreaks means the recovery is fragile and uncertain. CPA Australia recommends that the Australian Government continues to support short-term economic recovery through expansionary fiscal policies.

The Budget should also include commitments to longer term economic transformation through reforms and investments. A key component of both economic recovery and transformation is environmental sustainability and climate change.

CPA Australia believes the key themes for this Budget should be:

- short-term economic recovery
- longer term economic transformation
- with environmental sustainability underpinning both of the above.

Under these themes, the Budget should seek to:

- support otherwise viable businesses that continue to be impacted by COVID-19
- support individuals affected by the economic consequences of COVID-19
- promote new growth opportunities
- address the impacts of climate change.

The public health and economic risks associated with further COVID-19 outbreaks can be limited by the fast roll out of vaccines, a continuation of appropriate public health measures and a standardised national approach to support businesses impacted by restrictions. At present, the risk of further restrictions and doubt over how governments will support businesses in such situations is adding to uncertainty. Important business decisions such as whether to take on new staff or invest are being impacted by this uncertainty.

This Budget must prioritise policies that are important to economic recovery, and delay or cancel those that are not. Many businesses and not-for-profit organisations (NFPs) are focused on survival and recovery. They have limited capacity to implement new policies or regulatory requirements, especially where these provide little or no material benefit to them or the broader public.

With this in mind, our submission proposes recommendations to assist with job creation, support business recovery and reinvention, improve livelihoods, increase Australia's competitiveness and help address the challenges of climate change.

For more information

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Summary of Recommendations

ECONOMIC RECOVERY

Assisting business recovery and reinvention (page 4)

1. *To hasten economic recovery and jobs creation, the government should provide financial incentives to small businesses receiving JobKeeper Extension payments or in need of targeted industry assistance to seek advice from their existing professional adviser.*

Targeted industry support (page 4)

2. *The government establishes publicly available criteria to assess the industries in need of targeted support and provide targeted support to relevant industries.*

Education and skills development (page 5)

3. *The government not pursue the proposed expansion of the deduction for self-education expenses. Instead, it should consider other policy initiatives that encourage the reskilling of unemployed or underemployed Australians, such as the expansion of Commonwealth subsidies for approved courses.*
4. *The government considers what support Australia's education sector may need to enable it to continue to attract international students to study In Australia.*

Expediting ATO reviews of decisions on JobKeeper eligibility (page 5)

5. *The government provides additional funding to the ATO so that it can quickly expand its review to all taxpayers who were not eligible for JobKeeper and Cash Flow Boost where a material factor was the lack of a sale or supply reported by a new business on or before 12 March 2020.*

Improve, expand and extend the JobMaker Hiring Credit (page 5)

6. *The government considers expanding the eligibility requirements for the JobMaker Hiring Credit to include new employees over 35 and extending its operation beyond 6 October 2021.*

Increase public spending on repairs and maintenance of public infrastructure (page 6)

7. *The government significantly increases funding for repairs and maintenance of public assets.*

Providing income tax relief to individuals (page 6)

8. *The government considers bringing forward part of the Stage 3 tax relief for individuals and extend the LMITO for the 2021-22 income year.*

Permanently increase JobSeeker (page 6)

9. *The government commits to a permanent increase to the JobSeeker payment.*

Reducing or removing government fees (page 6)

10. *The government reduces or removes the fees it imposes on business, including fees imposed under ASIC's industry funding model and ASIC registry search fees.*
11. *The government removes duplicated fees paid by service providers to multiple regulatory agencies for the same service.*

Export assistance (page 7)

12. *The government develops or enhances existing measures such as the Export Market Development Grant to support Australian exporters diversify their markets.*
13. *The government increases funding of Austrade to assist it to expand the scope and intensity of its support to Australian exporters and those considering exporting.*
14. *The government increases funding of DFAT so that it is better placed to initiate and complete further free trade agreements.*
15. *The government considers whether the Export Market Development Grant remains adequate and if its current design fits a post-COVID-19 environment where reduced travel may alter export promotion.*

Managing the surge in insolvencies (page 7)

16. *The government fund a program to support insolvency practitioners wind up assetless companies in distress.*

ECONOMIC TRANSFORMATION

Digitising small business (page 8)

17. *The government considers significantly increasing funding to new and existing programs that assist small businesses improve their capability and capacity to digitally transform their business.*
18. *The government considers providing direct financial support for small businesses to engage approved e-commerce platforms on which to sell their products and services.*

Encouraging saving and investment (page 8)

19. *Formulation of a definition of retirement.*
20. *The government announce measures to encourage Australians who accessed their superannuation early to top up their superannuation balances.*

ASIC funding model (page 9)

21. *The government moves away from the full cost recovery funding model for ASIC's regulatory fees and instead implements a partial cost recovery model. Alternatively, the government considers modifications to the full cost recovery model.*

Reduce regulatory burden (page 9)

22. *The government funds a holistic review of the regulatory frameworks for financial planning advice, with the objective of ensuring that regulation is fit for purpose.*

Support for Not-for-Profits and Charities (page 10)

23. *The government ensures sufficient funding arrangements are in place to assist NFPs and charities carry out essential services to support the most vulnerable members of Australian society as we emerge from the pandemic.*
24. *The government provides support to assist the NFP sector to build the capability and capacity to invest in the most appropriate technologies for their organisations.*

Developing standardised support for businesses impacted by disasters (page 10)

25. *The government funds the development of an "off the shelf" scalable disaster support policy for businesses, to be activated in response to a disaster, with the level of support reflecting the nature and magnitude of a disaster.*

ENVIRONMENTAL SUSTAINABILITY

Climate change initiatives (page 11)

26. *The government funds the development and implementation of a long-term climate change strategy that ensures Australia's contribution to the achievement of the temperature goals of the Paris agreement and ensures we make the most of opportunities arising from the transition to a low emissions' global economy.*
27. *The government models the economic impacts of current and possible emission reduction trajectories and temperature changes.*
28. *The government helps fund the development and deployment of technologies that will play a role in combatting global warming.*
29. *The government incorporates the United Nations Sustainable Development Goals (SDGs) as a framework for policies that strengthen the economy and establish a sustainable and equitable recovery from COVID-19 impacts.*

Economic recovery

Assisting business recovery and reinvention

Business recovery and reinvention is critical to jobs creation and economic growth and transformation. Professional advice can increase the likelihood and speed of business recovery and make reinvention to keep up with the fast changing business environment more successful. Conversely, businesses that do not access such advice are more likely to under-perform or fail.

To support small business recovery and transformation, we recommend the government provide small businesses receiving JobKeeper Extension payments financial incentives to access professional advice from their preferred provider. Alternatively, incentives could be targeted at businesses in industries that remain under significant financial pressure.

To ensure that as many small businesses as possible access advice, we recommend that the government delivers this policy through the advisers that small businesses already use.

Australian Taxation Office research has found that small businesses are many times more likely to seek advice from private sector providers, especially accountants, than from government. Unpublished data from CPA Australia's 2020-21 Asia Pacific Small Business Survey supports this conclusion.[1]

This suggests that policies are more likely to successfully encourage significant numbers of small businesses to seek advice where they incentivise businesses to consult their professional adviser, rather than by providing the advice through government agencies or their contractors.

Access to such professional advice is important for managing through the crisis, recovery and jobs creation. Unpublished data from CPA Australia's 2020-21 Asia Pacific Small Business Survey shows that, among Australian businesses that sought advice from an accountant in 2020, 26.9 per cent grew in that year, compared to 16.7 per cent that did not seek advice. Businesses that sought advice from an accountant are more likely to expect to increase employee numbers in 2021(15.7 per cent) than those that did not seek any advice (4.2 per cent).

Therefore, government initiatives designed to stimulate employment and investment are more likely to achieve their policy aims if they are complemented by policies that incentivise business to seek professional advice from their preferred adviser.

Our Asia Pacific Small Business Survey also found that a large proportion of Australian small businesses (37.9 per cent) did not seek advice from any source in 2020, the highest result of the 11 markets surveyed.[2] Given these businesses are less likely to grow or take on new employees, measures to encourage businesses to seek advice will benefit the economic recovery.

Access to professional advice could be delivered in a number of ways, including grants or vouchers. One existing example is Tasmania's Small Business Advice for Recovery Grant. This grant helps fund specialist accounting, legal or business planning advice on maintaining solvency, cashflow projections, managing financial risk, diversifying/pivoting and adding value to products and services produced by the business.

Recommendation

1. *To hasten economic recovery and jobs creation, the government should provide financial incentives to small businesses receiving JobKeeper Extension payments or in need of targeted industry assistance to seek advice from their existing professional adviser.*

Targeted industry support

The public health policies implemented to suppress the transmission of COVID-19 are having an unequal impact on the economy. Some industries, such as tourism and hospitality, are being impacted significantly more than others.

Sectors that continue to experience significant disruption and financial impacts due to COVID-19 and public health policies should be considered for targeted financial assistance and other forms of support. For some, this support may be required over the medium term.

The government should consider establishing publicly available criteria upon which they can assess the industries in need of targeted assistance.

As noted above, that targeted assistance could include financial incentives for businesses in deeply impacted industries to seek advice from their existing professional advisers.

[1] A copy of the survey results will be sent to Treasury when published.

[2] Those markets are Australia, Mainland China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Vietnam.

Recommendation

2. *The government establishes publicly available criteria to assess the industries in need of targeted support and provide targeted support to relevant industries.*

Education and skills development

CPA Australia supports initiatives to assist Australians to undertake further education and training to support their re-skilling. This should enhance their employment prospects; especially for people who are unemployed or underemployed.

In our submission in response to Treasury's discussion paper on the possible expansion of the deduction for self-education expenses, we stated that we do not believe the proposed expansion is the most effective mechanism to encourage the reskilling of the workforce, particularly for those who are unemployed or underemployed.

Alternative policy initiatives should be explored, including; expanding Commonwealth subsidies for approved courses, fully refundable tax credits, refunds for course fees, among others

The significant disruption to the international student market caused by border closures may have significant long-term implications for Australia's education sector and skilled labor supply.

The government should work with the states and the education sector to find safe ways of returning international students to Australia, as quickly as possible, so that they can continue their studies.

The government should also consider what immediate and longer-term support this critical sector to the economy may need.

Recommendation

3. *The government not pursue the proposed expansion of the deduction for self-education expenses. Instead, it should consider other policy initiatives that encourage the reskilling of unemployed or underemployed Australians, such as the expansion of Commonwealth subsidies for approved courses.*

4. *The government considers what support Australia's education sector may need to enable it to continue to attract international students to study In Australia.*

Expediting ATO reviews of decisions on JobKeeper eligibility

The Inspector General of Taxation and Taxation Ombudsman report on the ATOs administration of JobKeeper and Cash Flow Boost payments for new businesses indicated that the ATO will informally reconsider its earlier decisions on eligibility for JobKeeper and Cash Flow Boost where the taxpayer has raised objections to the ATO's decision and a material factor in the ATO's initial decision was the lack of a sale or supply reported by a new business on or before 12 March 2020.

While this is positive, the ATO does not intend to identify all potentially affected taxpayers, as it deems this infeasible.

Many businesses missed out on JobKeeper because of the way the eligibility criteria were framed by the government and interpreted by the ATO.

There will be many taxpayers who decided not to object to the ATO's decision or decided not to apply for JobKeeper due to ATO guidance informing them (incorrectly) that they were not eligible.

It's important that the ATO put additional resources into reviewing how its previous interpretation of JobKeeper and Cash Flow Boost eligibility impacted individual businesses. It should make any corrections in favour of taxpayers quickly.

The government should provide additional funding to the ATO to allow it to expeditiously review all relevant cases, not just those where the taxpayer has objected or appealed the ATO's decision.

Recommendation

5. *The government provides additional funding to the ATO so that it can quickly expand its review to all taxpayers who were not eligible for JobKeeper and Cash Flow Boost where a material factor was the lack of a sale or supply reported by a new business on or before 12 March 2020.*

Improve, expand and extend the JobMaker Hiring Credit

In an uncertain economic environment, government subsidies for businesses that employ additional employees may be necessary to help them make the important decision to take on additional staff.

At present, the design of the JobMaker Hiring Credit creates doubt for employers, not only in relation to whether they may be entitled to JobMaker, but also the extent to which they may be entitled.

The eligibility requirements should therefore be expanded to include new qualifying employees aged over 35. Further, its operation should be extended beyond 6 October 2021.

Other design improvements set out in the National Tax Liaison Group submission should also be made to make the JobMaker Hiring Credit more accessible.

Recommendation

6. *The government considers expanding the eligibility requirements for the JobMaker Hiring Credit to include new employees over 35 and extending its operation beyond 6 October 2021.*

Increase public spending on repairs and maintenance of public infrastructure

Infrastructure spending plays an important part in fiscal stimulus and economic transformation. However, given that many large-scale infrastructure projects have long lead times, the stimulatory benefits are typically not felt immediately.

Analysis by EY suggests that infrastructure maintenance creates almost double the number of direct jobs per dollar spent than road and bridge construction. Further, EY estimates that $1 billion of spending on repairs and maintenance should have a combined value-add of $800 million to Australia's economy.

To have a more immediate impact on the economy, we recommend that the government include a substantial increase in funding for repairs and maintenance of public assets in the Budget, with preference given to awarding contracts to local trades and businesses.

Such spending could result in the better utilisation of existing infrastructure and extending the life of such infrastructure, which can reduce public spending in the long-term.

Recommendation

7. *The government significantly increases funding for repairs and maintenance of public assets.*

Providing income tax relief to individuals

The government should consider bringing forward, at least part of, its stage 3 personal tax cuts to 1 July 2021 and extend the low- and middle-income tax offset (LMITO) so that it is available for 2021-22. Such tax relief should provide a boost to the economy and to consumer confidence. As many small businesses are unincorporated, these businesses would directly benefit from such tax cuts.

Recommendation

8. *The government considers bringing forward part of the Stage 3 tax relief for individuals and extend the LMITO for the 2021-22 income year.*

Permanently increase JobSeeker

CPA Australia supports the government announcing a permanent increase to the JobSeeker payment to provide better support and security to those who find themselves out of work.

Recommendation

9. *The government commits to a permanent increase to the JobSeeker payment.*

Reducing or removing government fees

Many state and territory governments have either reduced or waived fees they impose on business to assist them through COVID-19. However, to date, the Federal Government has not reduced its fees on business.

The Federal Government should use the Budget to announce the reduction or removal of various fees it imposes on business, especially small business. This will ultimately also benefit consumers who invariably pay for such fees.

For example, the government should reduce or preferably remove:

- fees imposed under ASIC's industry funding model, including fees imposed on Australian Financial Services License holders and self-managed superannuation fund auditors
- fees for ASIC registry searches.

Further, the government should remove duplicated fees where service providers provide advice or services that fall under multiple regulatory regimes, such as financial advisers paying fees to ASIC and the Tax Practitioners Board.

Recommendation

10. *The government reduces or removes the fees it imposes on business, including fees imposed under ASIC's industry funding model and ASIC registry search fees.*
11. *The government removes duplicated fees paid by service providers to multiple regulatory agencies for the same service.*

Export assistance

An emerging challenge for Australian businesses is the rise of protectionist policies in other jurisdictions and heightened geopolitical tensions. As such, it would be beneficial for business and the broader economy if the government expanded its existing export support measures and introduced new initiatives that assist Australian exporters diversify their markets.

This could include a substantial funding increase for Austrade to allow it to significantly enhance the support it provides to exporters and those considering exporting. Further, the government should increase its funding of the Department of foreign Affairs and Trade (DFAT) so that it is better placed to initiate and complete more free trade agreements.

Recommendations

12. *The government develops or enhances existing measures such as the Export Market Development Grant to support Australian exporters diversify their markets.*

13. *The government increases funding of Austrade to assist it to expand the scope and intensity of its support to Australian exporters and those considering exporting.*

14. *The government increases funding of DFAT so that it is better placed to initiate and complete further free trade agreements.*

15. *The government considers whether the Export Market Development Grant remains adequate and if its current design fits a post-COVID-19 environment where reduced travel may alter export promotion.*

Managing the surge in insolvencies

It is highly likely that there will be a surge in the number of insolvencies due to the economic downturn. To help manage this surge and to better protect the rights of creditors, we suggest an increase in the Assetless Administration Fund administered by ASIC. Alternatively, the government could develop a new support measure to support insolvency practitioners in the wind up of assetless companies.

Recommendation

16. *The government fund a program to support insolvency practitioners wind up assetless companies in distress.*

Economic transformation

Digitising small business

Over the past 12 years, CPA Australia have surveyed over 31,000 small businesses across the Asia-Pacific. The results, presented in our annual Asia-Pacific Small Business Survey, show that Australian small businesses are typically well behind their counterparts in Asia in terms of their digital capability, management capability and understanding of overseas markets – all which are drivers of growth.

This digital gap between small business in Australia and Asia is likely to have contributed to Australia's small businesses reporting lower growth than their peers in the region. In turn, this is likely to have contributed to Australia's small businesses being the least likely in the region to have increased employee numbers every year since 2014 (only 8.3 per cent of Australian respondents reported that they increased employee numbers in 2020 compared with the survey average of 27.0 per cent).

For policymakers and others seeking a swift recovery of Australia's small business sector from COVID-19, improving the digital capability and capacity of the sector is essential. With a large majority of Australia's small businesses having less than five employees, the role of external professional advisers will be critical in building digital capability.

It is important to note that the impact of COVID-19 restrictions has already changed how some businesses deliver their products and services to clients, including shifting to online platforms. Although this is positive, Australian small businesses remain significantly less likely to sell online than their counterparts in Asia.

While the government has implemented several policies to improve small business digital adoption, such as the Australian Small Business Advisory Service, the size and scope of these programs are significantly smaller and less ambitious than similar programs in other jurisdictions.

For example, Singapore's SME Go Digital, one of several programs in Singapore, includes spending of S$250 million (A$244 million) to help businesses digitise in partnership with digital platform solution providers. Hong Kong's HK$1.5 billion ($A250 million) Digital Business Programme supports enterprises adopt IT solutions. In Europe, Spain's government announced the Acelera PYME (SME Accelerate Plan) designed to incentivise SMEs to adopt new technologies. This plan comprises a EUR 200 million (A$315 million) to lend to SMEs for the purchase and leasing of equipment and services for digitisation.

With Australian small business digital adoption rates well behind those in Asia, and with a strong link between digital adoption and business growth, the government should seek to learn from and adapt some of these programs into Australia.

Recommendations

17. *The government considers significantly increasing funding to new and existing programs that assist small businesses improve their capability and capacity to digitally transform their business.*
18. *The government considers providing direct financial support for small businesses to engage approved e-commerce platforms on which to sell their products and services.*

Encouraging saving and investment

More than three million Australians accessed their superannuation in response to the COVID-19 pandemic, with an estimated $35.9 billion withdrawn.[3]

This raises the question of will happens if there is a third or even a fourth wave of the pandemic? Looking beyond pandemics, what will happen if there is another large crisis in the short-to-medium term? How many people will exhaust their superannuation balances?

Arguably, a question of equity may arise over the longer term when wealthier Australians are able to fund future lifestyles from their retirement savings, while less wealthy Australians have much lower levels of retirement incomes as a consequence of having accessed these funds prior to retirement.

The issue of accessing savings designed for retirement comes at a time when the superannuation system has been subject to other early access measures which are not generally regarded as retirement-related, such as the First Home Super Saver Scheme.

There are other jurisdictions which use retirement income systems for non-retirement related purposes, such as housing or health insurance. The retirement outcomes for these systems are suboptimal compared to systems which restrict retirement incomes to retirement only. We note that other jurisdictions with

[3] As at 20 December 2020 - https://www.apra.gov.au/covid-19-early-release-scheme-issue-35

top performing retirement income systems, such as Denmark and the Netherlands, are solely dedicated to retirement savings.

It is important that our retirement income system be properly equipped to deal with what it is supposed to support; that is, retirement. An appropriate definition of retirement will assist in more careful consideration being given to whether the superannuation system should be accessed in times of crisis. A definition could also assist in the design of potentially more appropriate policies to help households respond to future shocks.

Following the high level of early access of superannuation, many Australians will need additional support to rebuild their retirement savings. The government should consider a range of options to encourage such Australians to rebuild their superannuation balances, including a limited amnesty for those who accessed their superannuation in error and higher contribution limits for a limited period.

The government may also wish to consider incentives to encourage savings outside the superannuation system.

Recommendations

19. *Formulation of a definition of retirement.*
20. *The government announce measures to encourage Australians who accessed their superannuation early to top up their superannuation balances, including:*

- *a limited amnesty for those who accessed their superannuation in error to ensure that they can repay funds without penalty*
- *limited relief in the form of higher contribution limits*
- *a co-contribution scheme for affected fund members*
- *an increased Total Superannuation Balance limit (currently set at $500,000) for taxpayers who have accessed their superannuation and who wish to utilise the carry forward of unused concessional contributions.*

ASIC funding model

CPA Australia does not support the full cost recovery model of the ASIC industry funding arrangement and has previously recommended that the government instead explore a partial cost recovery model.[4] While we have outlined a number of reasons for this position in our previous submissions to government, the three reasons that are particularly relevant given the current pandemic are that the full cost recovery model fails to recognise:

- the impact on the financial viability of those that need to pay the charges, particularly small businesses
- its negative impact on the supply of industry participants such as insolvency practitioners, SMSF auditors and financial advisers
- the cumulative effect of other compliance requirements on those having to pay fees.

Alternatively, the government could consider modifications to its full cost recovery model. For example, should penalties and fees be used to offset costs?

Recommendation

21. *The government moves away from the full cost recovery funding model for ASIC's regulatory fees and instead implements a partial cost recovery model. Alternatively, the government considers modifications to the full cost recovery model.*

Reduce regulatory burden

Regulatory complexity is placing a significant burden on accountants in public practice, which has flow-on effects for the community. The complex, multi-layered nature of Australia's current regulatory environment, especially the regulation of financial planning advice, is alienating many consumers and small business – the very people it is seeking to serve – while placing substantial strain on accountants in practice who operate under these regimes.

For example, in relation to financial advice, advisers must currently comply with the Corporations Act, the Tax Agent Services Act, and the National Consumer Credit Protection Act, In addition to obligations imposed under the ASIC Act and the Financial Adviser Standards and Ethics Authority (FASEA), among others (noting the government's recent announcement of the wind-up of FASEA).

Often there is no harmonisation between these regulatory frameworks and sometimes even within them. Depending on how the licensing and registration system is set up, an accountant may need to hold multiple licences and registrations to be able to provide one piece of advice.

[4] CPA Australia submission to Treasury in response to the ASIC industry funding model consultation paper, December 2017

CPA Australia research[5] found that almost 90 per cent of accountants in practice believe the compliance burden of differing legislative frameworks is a concern, with less than a quarter saying that they have a clear understanding of their obligations. Further, regulatory complexity increases the costs many Australians pay each year to access the services of accountants, with almost 50 per cent of practitioners stating that they increased fees in the previous year to cover increasing compliance costs.

This increasing regulatory complexity and inconsistency is happening at a time where the financial services sector is experiencing a major structural adjustment, with service providers exiting the sector in significant numbers. The impact of this structural adjustment is a growing advice gap, which disadvantages those who need financial advice in a world of increasing complexity and with an ageing population. A holistic review of financial regulatory frameworks is urgently required. CPA Australia and other professional bodies have a shared goal of a regulatory environment that enables the community to access the advice it needs and to be able to fully understand that advice.

The urgency of this wholesale review cannot be overstated. Until such time as changes are made to the regulatory framework, other steps may need to be considered to support and preserve a viable financial advisory services market, including in the context of superannuation advice, so that it remains operative and able to provide these important advisory services. We look forward to the opportunity to work with the government to discuss options with respect to professional accountants providing advice on superannuation matters.

Recommendation

22. *The government funds a holistic review of the regulatory frameworks for financial planning advice, with the objective of ensuring that regulation is fit for purpose.*

Support for Not-for-Profits and Charities

As we emerge from the pandemic it is important that there is adequate funding available to the Not-for-Profit (NFP) sector to ensure the uninterrupted delivery of health, education, disability care, aged care and other essential services.

Support is also required to build NFP capability and capacity to choose, implement and leverage the right technology in the post-COVID-19 environment.

Recommendations made earlier in this submission on the digitising of small business are equally applicable to the NFP sector.

Recommendations

23. *The government ensures sufficient funding arrangements are in place to assist NFPs and charities carry out essential services to support the most vulnerable members of Australian society as we emerge from the pandemic.*
24. *The government provides support to assist the NFP sector to build the capability and capacity to invest in the most appropriate technologies for their organisations.*

Developing standardised support for businesses impacted by disasters

CPA Australia's submission to the National Natural Disaster Arrangements Royal Commission argued that governments should develop standardised support for business and individuals that can be quickly activated in response to a disaster. Such support should be able to be scaled up or down following a well-developed formula, in response to the nature and magnitude of the disaster. This would expedite the delivery of appropriate support to business and individuals impacted by a disaster, providing greater certainty at a time where business and individuals could be facing significant distress.

Having an off-the-shelf, scalable disaster support plan for business that is grounded in robust risk analysis would enable future governments to implement tried, tested and sound programs quickly in times of disaster.

Further recommendations about continuing support and unmet needs for businesses recovering from disaster can be found in CPA Australia's submission on Observations and Lessons on Bushfire Recovery and Advice on Unmet Recovery Needs for the National Bushfire Recovery Agency.

Recommendation

25. *The government funds the development of an "off the shelf" scalable disaster support policy for businesses, to be activated in response to a disaster, with the level of support reflecting the nature and magnitude of a disaster.*

[5] CPA Australia's Regulatory Burden Report – The Impact of Complex Regulatory Frameworks, 2019.

Environmental sustainability

Climate change initiatives

Climate policy is indivisible from environmental, health and economic policy in a post-COVID-19 world. Consideration of climate change policy must be a core principle in post-COVID-19 economic recovery, including in this Budget.

A pro-growth, post-pandemic rebuild need not come at the expense of environmental, social and governance (ESG) issues broadly and effective climate change action. There is momentum among many governments, businesses and investors to ensure delivery of a sustainable and inclusive recovery in which there is a hastening of the decoupling of economic growth from a fossil fuel over-dependency.

The nature of this momentum is demonstrated in three broad "lessons" from the pandemic's spread and the contrasts in national and international responses:

1. Governments, such as Australia's, which have accepted public health scientific advice regarding restrictions, and their early and widespread application, have fared dramatically better in curtailing the spread of the virus. The science of climate change also needs to be placed at the centre of emission reduction and related energy policy, as well as providing key guidance to building innovation-based economic growth and export diversification. It is on this basis that the government's Technology Investment Roadmap "A framework to accelerate emissions technology" is welcome, though we urge a fuller, more comprehensive approach to economic transformation challenges. Important opportunities will come from government funding the implementation of the recommendations contained in the Climate Change Authority (CCA) March 2020 report Prospering in a low-emission world: An updated toolkit for Australia (CCA Report).
2. There needs to be greater appreciation in public policy and discourse of the connection between human health and viable wildlife and ecosystems. Human activity such as deforestation and unchecked urban expansion, coupled with the warming of the climate, has pushed nature beyond dangerous limits. Evolving scientific understanding needs to be the critical reference point of public policy to develop a better understanding of the connections between rapid climatic and environmental change, biodiversity loss and species redistribution and the cumulative impacts on humankind.
3. The nature of large-scale crises, the extent to which they can or cannot be predicted, and the increased risk of interconnection, are potentially heightened in severity, once climate change is brought into the equation.

CPA Australia sees it as vital that the post-pandemic regulatory environment facilitates continuity and embedding of developments in corporate reporting around climate change risk and pricing as key components in building a resilient recovery. Locking in high carbon industries and industry dependency in the short-term post-pandemic recovery will have long-term deleterious effects that will be impossible to reverse within the widely acknowledged timeframe for climate action. Similarly, there should be renewed and strengthened commitment to international coordination and collaboration under the Paris Agreement.

CPA Australia recommends thorough and close consideration of the CCA Report as a key policy resource in guiding Australia's post-pandemic economic transitioning. In particular, recommendation 1 in Chapter 6 (Transitioning Australia to a low-emissions future) states:

> *Develop a long-term climate change strategy that ensures Australia's contribution to the achievement of the temperature goals of the Paris Agreement and ensures we make the most of opportunities arising from the transitioning to a low emissions global economy.*

CPA Australia is among a number of business, government and community groups urging a clear, long-term signal, such as a mid-century target. This is important for investment and will ensure a smooth transition to a low-emissions economy. The CCA's recommendation is, to a substantial degree, a reflection of these sentiments.

In the post-pandemic economic environment, the investment and broader market signalling of the importance of setting a firm trajectory of reaching Australia's net-zero emissions position will be critical. Similarly, far greater regard will need to be given by government to the five-year interval "review, refine and rachet" mechanisms within Australia's Paris Agreement Nationally Determined Contribution (NDC), as part of appropriate and timely guiding of associated policy levers and business responses towards economic transitioning.

We were pleased to note the government's announced *Climate Resilience Pledge*, which is as a significant measure for combatting the worst impacts of global warming, particularly in the context of the 2019-2020 bushfires. This further reinforces the critical need for a balanced policy approach addressing both adaptation and mitigation. Appropriately sustained emphasis on mitigation is highlighted by the most recent national and global atmospheric and oceanic warming assessments conducted by the Bureau of Meteorology and the UN Environmental Programme.

Unless wholistic and long-term approaches are pursued, Australia risks becoming subject to punitive trade measures from countries with stronger emissions reductions policies. Australia will become increasingly less able to redress the dire state of our natural environment, with direct adverse economic consequences, as highlighted in the June 2020 Graeme Samuel AC review of the EPAC Act.

Recommendations

26. *The government funds the development and implementation of a long-term climate change strategy that ensures Australia's contribution to the achievement of the temperature goals of the Paris agreement and ensures we make the most of opportunities arising from the transition to a low emissions' global economy.*

27. *The government models the economic impacts of current and possible emission reduction trajectories and temperature changes.*

28. *The government helps fund the development and deployment of technologies that will play a role in combatting global warming.*

29. *The government incorporates the United Nations Sustainable Development Goals (SDGs) as a framework for policies that strengthen the economy and establish a sustainable and equitable recovery from COVID-19 impacts.*

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