

HALL CHADWICK 
ASSOCIATION

HALL CHADWICK ASSOCIATION NEWSLETTER

Summer 2017

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A message from our Chairman

I am pleased to welcome everyone to the Summer Issue of the Hall Chadwick Association newsletter.

In this issue:

- John Christopoulos reports on the use of advisory boards. There is a distinctive difference to the role of an advisory board compared to a board of Directors.
- We also hear from Geoff Stephens who refers to an auditor's view of business goodwill.
- Blair Pleash from our Sydney office refers to changes to insolvency Law. A safe harbour may be available for Directors if they appoint a restructuring advisor.
- Gino Malacco gives a reminder to check Trust Deeds due to the possibility of potential foreign beneficiaries causing problems in surcharges on land tax and stamp duty.
- A move to new offices in Melbourne, Caloundra and Ormiston will lift the morale of staff. It will also improve the environment for our clients & referrers.
- Brian Hay from Cultural Cyber Security was recently a keynote speaker at our Directors conference on the Gold Coast. He has significant experience in advising on the

prevention of fraud and assisting in forensic work. He will be working with our staff in the Hall Chadwick offices in this area .

It is incredible how much is going on when you stop. We recently held our Hall Chadwick National conference at the Sheraton Mirage on the Gold Coast.

This was a gathering of approximately 25 of our Directors from Sydney, Brisbane & Melbourne. We got together to reflect on the last 12 months and to strategically think about the Accounting profession now and where we expect to be in 10 years time.

How will the Hall Chadwick firms meet their commitments to clients, the tax office and other legislative requirements for Professional Services firms in the accounting world?

I learn a lot from looking at professional sport, particularly my love of AFL. Coaching a football team & running a football club is not that much different to directing an accounting practice or managing staff or client expectations.

Footballers have different abilities & personalities. Not unlike staff. Staff need to have a clear job role & see a worthwhile & rewarding career path.

Life goals & professional goals need to be clear.

All have a perspective of wanting to have a successful life. While a premiership is the ultimate, playing the game is equally important.

Our staff within Hall Chadwick all have the same goals. Work hard on the things you can control. Use all the resources at your disposal to become part of the success of the team.

There is plenty of pressure within the profession. Time sheets, deadlines, changes in legislation and technology. Endless numbers of emails and telephone calls that can easily distract our goals and outcomes within a day.

The world today is obsessed with stats and key performance indicators. We all have budgets to meet. It is important that we focus on our strengths and the things we are passionate about.

Finding the balance between work goals & life goals.

There is nothing better than being able to mentor new staff. As they start out, the first game, they will be anxious but excited about putting in to play the study they have undertaken.

The career path has been chosen. They may have studied up to 5 years



to reach this first game.

The Directors at Hall Chadwick know we are the coaches of these new players. We have a responsibility to get the most out of them. We need to be able to offer the opportunities and keep life in perspective.

The annual managers' conference was held in March. We endeavour to bring together the emerging talent of Hall Chadwick and equip them with the skills needed to become future leaders of the firms.

The NAB announced recently they would cut 6000 jobs over the next 3 years. Research has shown that about 1/3rd of the day to day work was vulnerable to automation. A software robot costs 20% of the cost of an onshore employee. Automation is likely to change every job.

Like the NAB, business will need to continue the efficiency push. Investment in technology is required and there will be pressure on jobs as we know them today. However, new opportunities will open up. Employees need to reposition themselves for the new opportunities by understanding and working with the technological changes.

We as Directors and mentors need to encourage and provide these

opportunities to our staff within Hall Chadwick and Australia's white collar workforce. This revolution has already impacted manufacturing and now spreads to the services industry.

There is a bright side. Retraining staff and analysing data that companies are assembling will lead to new job opportunities.

This will be my last column for the Hall Chadwick Association newsletter as Chairman. I step down at the end of December and pass on the responsibility and well wishes to Brent Kijurina of the Sydney office.

May I express my sincere gratitude for the great privilege it has been to lead the association over the last 3 years. Also, can we wish everyone a very Merry Christmas and best wishes for a prosperous and safe 2018.

Brendan Vaughan
Hall Chadwick, Brisbane



Contemporary Business Demands More

Contributed by:

John Christopoulos,
Partner at
Hall Chadwick Melbourne

In today's commercial landscape, businesses need to look at innovative ways to remain competitive and ensure their leadership teams are supported to produce the right results for stakeholders. Appointing executive advisors in a non-binding form provides flexibility for companies to access expertise at a reduced cost.

Advisory Boards are now more commonly used to provide strategic advice to organisations giving greater flexibility in how they are structured and managed. Let's take a look at how they work.

What is an Advisory Board and how is it different to a Board of Directors?

An Advisory Board is a select group of 'independent' people and support to the owners, shareholders and or directors of a business who are considered to be recognised leaders in their field of expertise. Advisory Boards are not regulated under the Corporations Act or corporate governance codes and members don't have legally defined responsibilities.

When is the right time to bring in expertise?

The right time to bring in an Advisory Board is when an

independent view is needed or an environment for a 'safe' place to discuss issues of major significance for the business is required. This would normally occur when a business is in or preparing for transition be it for example, the company is experiencing rapid growth, facing major decisions or changes in direction including entering new markets, products or geography, raising funds or succession issues. Advisory Board members are often best in dealing with disputes and conflicts within a family owned business or with addressing challenges with other shareholders.

What role does it play and how does this change the leadership team?

The Advisory Board provides an independent source of information and may provide owners and directors with advice on how to deal with strategic issues or risks confronting the business. The Advisory Board can act as a sounding board to the leadership team, act as mentors for future senior leadership positions, investment contacts, monitor the business performance and challenge the directors and managers on options to improve the business.

What am I buying in to?

An Advisory Board member is not burdened with the same fiduciary responsibilities as a Statutory Board and their compensation is lower. Essentially, the company accesses expertise and oversight at a reduced cost of a formal Board. The Advisory Board influences and advises as opposed to making decisions. This may dilute the overall adoption of their advice by others within the company. While the informal nature of an Advisory Board provides flexibility, it in turn makes it difficult to hold members accountable for their advice.

Compensation for an Advisory Board member needs to be considerate of the intended return on investment in the resource, the term of engagement, the frequency of meetings and overall impact of advisory.

To learn more about Advisory Boards and how to source the right talent, please contact

John Christopoulos

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Directors' Annual Conference on Gold Coast



This year, Hall Chadwick Directors gathered at the Annual National Directors' Conference on the 19 and 20 October 2017 on the Gold Coast.

The aim of this year's annual conference was to provide members of the Association and Directors of each firm an opportunity to review and discuss ways to improve business growth and recruit premium staff.

The conference kicked off with a presentation from the marketing committee, followed by presentations from Directors and guest speakers.

After an insightful day, the evening provided an opportunity for all to kick back and dress up at a client function held at the Southport Yacht Club.

Day two covered an overview of PrimeGlobal International, followed by guest speakers and break out groups on new service offerings at Hall Chadwick.

To conclude our conference, a dinner was held at the Pier Restaurant, Marina Mirage.

Following the conference, a survey was conducted and the overall feedback received was that the conference was engaging, interactive and thoroughly enjoyed.

A big thank you to everyone in the planning committee, attendees, presenters and special guests for making this a truly successful conference and we look forward to next year's Annual Conference held in Sydney.

Contributed by:
Kimberly Vo-Le,
Marketing Co-ordinator at
Hall Chadwick, Sydney





TAX ALERT - Land Tax Changes

Contributed by:
Gino Malacco,
Partner at
Hall Chadwick, Sydney

1. What is the problem?

Retrospective surcharges apply in NSW, Victoria and Queensland from the 2017 land tax year:

NSW: From 21 June 2016, a **4% surcharge purchaser duty** applies where a foreign person acquires NSW residential land

0.75% surcharge land tax applies for the 2017 land tax year (and 2% from 2018 land tax year onwards, with no tax-free threshold or principal place of residence exemption) where a foreign person owns NSW residential land at 31 December each calendar year.

VIC: From 1 July 2016, the **foreign investor surcharge on residential stamp duty increased to 7%.**

From 1 January 2017, the **absentee owners surcharge increased to 1.5%** and applies to all land held in Victoria.

QLD: From 1 October 2016, **3% Additional Foreign Acquirer Duty** applies where a foreign person acquires residential property.

2. How does this apply to family discretionary trusts?

For the purposes of applying the foreign duty surcharge, the legislation in New South Wales and Victoria has deemed each beneficiary in a discretionary trust to have a 100% beneficial interest

in the trust fund. This means that if a foreign person (as defined) is not excluded as a beneficiary and from receiving a benefit from the trust, then the trust may be subjected to the higher duty rates, even if none of the beneficiaries who actually receive or are likely to receive distributions of income or capital are foreign persons.

In NSW, a Variation to Statute to avoid discretionary trusts becoming inadvertently liable for surcharge purchaser duty and/or surcharge land tax takes effect retrospectively from 21 June 2016 and is in force until the legislation is amended.

In NSW, a trust may apply for a **reassessment and refund of surcharge** land tax if the trust deed has been amended to exclude foreign persons as beneficiaries. The trust has six months to amend the trust deed from the date surcharge land tax is assessed (on the notice of assessment). If the amendment complies with the Variation to Statute, the Chief Commissioner will reassess the surcharge land tax to nil and issue a refund of any surcharge land tax already paid.

3. What should I do?

Review trust deeds of discretionary trust which holds (or will acquire) land in NSW, Victoria and Queensland for potential foreign beneficiaries. Consult Hall Chadwick

where there are ***potential*** foreign beneficiaries and if amendment to trust deeds are required.

Note, if a foreign person may become a beneficiary of, or benefit from, a trust, then they are deemed to control the trust and hence the surcharge applies. It is irrelevant if the foreign person never actually becomes a beneficiary or never benefits from the trust.



Should you wish to discuss your tax queries please contact
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Goodwill & Upcoming Headwinds

Contributed by:

Geoff Stephens - Director at Hall Chadwick, Brisbane

The mandated listing of key audit matters in the audit section of annual reports for ASX listed Companies has shed some light on the issues that take up the most time and effort for auditors.

The valuation and possible impairment of goodwill was listed as a key audit matter by around two thirds, or 80 of 128 companies that have a 30 June year end according to KPMG research of the first full year of new “long form” reporting.

As an audit partner these statistics come as no surprise as there is significant judgement associated with this asset, coupled with Goodwill impairment being an area of ASIC’s enforcement focus in its “quality of financial report” alert in May.

Whilst the audit profession might not tantalise the interest of a mum and dad investor, one need’s to ask, what is Goodwill and why does it attract so much interest from the Corporate gate keepers?

Goodwill is often perceived as a dead weight asset sitting on the balance sheet. For the directors of a company however, goodwill can represent the future potential or subsequent downfall of a business.

Have you ever had to make a big decision that could change the course of your life?

It may have been buying your first house, changing your career or even having children. If you have, you will probably remember taking that leap of faith and hoping for a good outcome. Imagine if that decision you made was plastered on a wall in a public place for all to scrutinise.

In the Corporate world, this is exactly what happens. Goodwill represents a big decision made by the directors of a Company to pay more for a business than its net tangible value. The perceived excess paid for this business is plastered onto the balance sheet as goodwill.

To make matters worse, this ‘big decision’ is scrutinised by the auditors every year with no potential upside to the asset. Goodwill can never be revalued upwards; it can only be revised downwards under the impairment standard (AASB136).

If you are feeling sad and sorry for the Directors, it should come as no surprise as this article is being written by an auditor.

I won’t bore you with the specific methods used to test for impairment but it is worth pointing out that economic conditions are making it harder for Directors to prove that goodwill is not impaired. To put it simply a higher long bond yield will push down the net present value of an asset.

Whilst auditors mainly look at historical data, we are also required to keep one eye on future developments in both compliance

and commercial spheres of the business world. Recent macroeconomic events (e.g. the potential US tax reform and the strengthening of the US economy) has resulted in a rise in long bond yields. This shift may create headwinds for many companies in the upcoming reporting period as it may impact negatively on the asset value of a business, including goodwill. Companies should familiarise themselves with this potential impact to ensure that they are well positioned for the upcoming reporting period.



Should you wish to discuss your tax queries please contact

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Phoenix Activity

Contributed by:

Blair Pleash - Partner at Hall Chadwick, Sydney

One suspects the idea of phoenix behavior is almost as old as the concept of limited liability itself.

However structural changes to the economy and the development of the “subcontractor culture” over time would appear to indicate the phenomena has become more prevalent over the past decade. Indeed phoenix behaviour has attracted the attention of regulatory authorities for at least the last twenty years.

There is a whole raft of people today, particularly in the construction and related industries whose career path effectively demands they be in business for themselves, whereas a generation ago they would have been in paid employment.

It is a truism that not everyone has the financial skills/discipline to be in business for themselves.

The mere failure of a company in an isolated scenario does not constitute phoenix activity, we need to consider the definition of a phoenix.

What is a phoenix company?

Despite the rhetoric that abounds about phoenix company activity it may come as a surprise that there is no specific prohibition on “phoenix companies” in the Corporations Act.

Further the regulators themselves have struggled to develop a workable definition of the behavior they are seeking to discourage. Accordingly regulatory initiatives in this area have traditionally engendered a degree of cynicism in the credit industry and the wider business community.

In a report commissioned by the Fair Work Ombudsman in June 2012 titled “Phoenix Activity – Sizing the problem and matching solutions”, the following definition of phoenix activity was developed in consultation with stakeholders:

“Phoenix activity is the deliberate and systematic liquidation of a corporate trading entity which occurs with the fraudulent or illegal intention to:

- avoid tax and other liabilities, such as employee entitlements
- continue the operation and profit taking of the business through another trading entity”

Anti-phoenixing reforms for consultation

Tougher penalties and counter-measures such as a Director Identification Number are the heart of the Government’s “anti-phoenixing” reforms to deter and disrupt the core behaviours of phoenix operators, including non-directors such as facilitators and advisers, announced on 13 September 2017 by the Assistant

Treasurer, Kelly O'Dwyer.

The Government's package of reforms will include:

- The introduction of a Director Identification Number (DIN) which will interface with other government agencies and databases so that regulators can map the relationships between individuals, entities and other people;
- Specific phoenixing offences;
- A dedicated phoenix hotline for reporting illegal phoenix activity;
- The penalties that apply to those who promote tax avoidance schemes to be extended to capture advisers who assist phoenix operators;
- Stronger powers for the ATO to recover a security deposit from suspected phoenix operators to cover any outstanding tax liabilities;
- Making directors personally liable for GST liabilities as part of extended director penalty provisions;
- Preventing directors from backdating their resignations to avoid personal liability or from resigning and leaving a company with no directors; and
- Prohibiting related entities to the phoenix operator from appointing a liquidator.

Submissions were to be made by 27 October 2017.

Hall Chadwick New Office in Caloundra



The Sunshine Coast office of Williams Hall Chadwick moved to their new premises in the main street of Caloundra on the 13th July 2017.

The new office allows us room for continued expansion as well as the ability to provide timely service within one of the fastest growing regions in Australia.

The staff and clients are very enthusiastic about the new technology and services we are now able to offer.

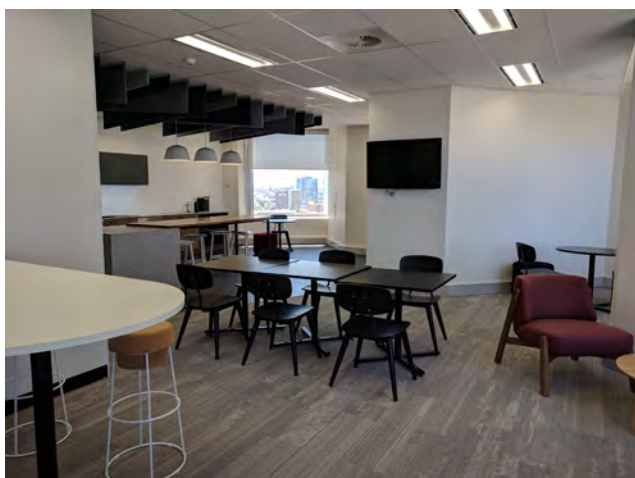
There is room for partners from other Hall Chadwick offices to use within the new Caloundra office.

Ken Hogarth is the manager of the office and he was made an Associate of Williams Hall Chadwick in July, 2017.



Contributed by:
Ken Hogarth
Associate at
Williams Hall Chadwick

Hall Chadwick Perth - New Office

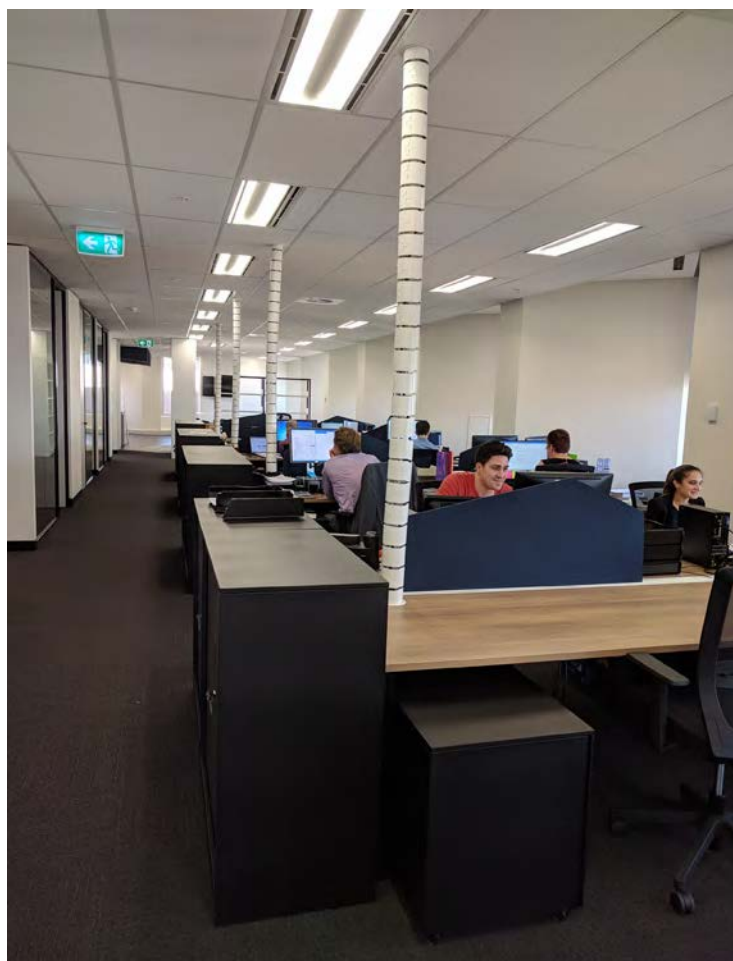


On Monday 9 October, the Hall Chadwick Perth team officially moved into their brand new office. The exciting new Perth office is located in the heart of Perth's CBD in Allendale Square.

With a new fresh fit out, views of Elizabeth Quay and a kitchen that should be featured on "The Block", the new space is certainly impressive!

On Thursday 26 October 2017, an open office function was held for guests. Guests loved the new office space and our new breakout area was perfect for the social event.

The afternoon was lively while plates of delicious food passed around and drinks were served. Both David Fairfull and Cameron Shaw delivered short speeches to congratulate the team on their exciting new office before the night kicked on with a private office tour for our guests.



Contributed by:
Cameron Shaw
Partner at
Hall Chadwick, Perth

Hall Chadwick Melbourne Official Opening

On Thursday June 15th, Hall Chadwick Melbourne proudly hosted 250 guests in our new CBD office. The evening brought together clients, suppliers and referrers with the Hall Chadwick team.

At the opening address, David Lissauer said on behalf of his fellow Directors and staff "We hold close the many relationships we have forged over our 35 plus years in practice. Our success is largely

attributed to these connections.

"The decision to move to Collins Street was in response to our clients telling us they wanted city-central access to the team". The custom fitted Collins Street site has larger space for the sixty plus team and provides more client-focused amenities. "This is a wonderful way to celebrate the coming together of the two Hall Chadwick teams in Melbourne".

Our guests then heard from the Hon. Mr Ted Baillieu who congratulated the entire team on their achievements that have enabled the firm's solid and leading standing in the professional services industry.



Contributed by:
Caroline Redman,
Marketing Manager at
Hall Chadwick Melbourne



Be Prepared - Mandatory Data Breach Notification Laws are Coming!

What does this mean?

That from 23 February 2018 you are obliged by law to report to the Office of the Australian Information Commissioner and any potentially affected individuals of an "**eligible data breach**".

Who does this effect?

Generally, if your organisation generates a revenue of more than \$3M per annum you're liable to comply with the legislation and you classify as an "**APP Entity**".

The mandatory data breach notification scheme being introduced will require APP Entities to notify the Office of the Australian Information Commissioner (**OAIC**) and any potentially affected individuals of an "eligible data breach" as "soon as practicable" when there are "reasonable grounds" to **believe** such a breach has occurred.

What constitutes a data breach?

When there has been unauthorised access to, or unauthorised disclosure of, personal information about one or more individuals, deliberate or accidental (Eg: a USB or document left in a taxi).

An **eligible data breach** will arise where a reasonable person would conclude there is a likely risk of "serious harm" to any of the affected individuals as a result of the disclosure.

Serious harm is likely to include physical, psychological, emotional, economic, financial, and even reputational harm. It's important to remember this is the "reasonable person" test.

How to notify?

To notify there are at least two steps. First you must prepare a statement containing certain prescribed information about the data breach and provide it to the OAIC. The APP Entity must then take steps to notify the affected individuals.

However, if you only reasonably **suspect** that an eligible data breach has occurred, the notification obligation will not arise, but you will be required by law to complete a "reasonable and expeditious" assessment into the relevant circumstances within 30 days.

Wilful blindness will not allow APP Entities to avoid the requirements of the Privacy Act.

Exceptions to the data breach notification requirement

There are exemptions and perhaps the most interesting exception is that a notification will not need to be given if the APP Entity takes remedial action before any serious harm is caused by the breach.

An example of this would be using encryption with strong passwords or remote wiping capabilities. The data may be lost but not be able to be read, thus no harm can be rendered.

The value of a strong security posture, early detection abilities and established response procedures will greatly assist a company to protect itself.

Contributed by:
Brian Hay, Cultural Cyber Security

Penalties

APP Entities may be subject to anything from investigations to, in the case of serious or repeated non-compliance, substantial civil penalties.

What should you do?

It is important to:

- audit your current information security processes and procedures; and
- prepare a data breach response plan to assist immediate response processes.

Below is a guiding checklist provided by the OAIC to assist APP's.

<https://www.oaic.gov.au/agencies-and-organisations/agency-resources/privacy-agency-resource-2-privacy-act-reforms-checklist-for-app-entities-agencies>

In preparation for this is it vital you take the necessary steps to ensure you have practices and procedures in place in order to comply with these legislative obligations.

For any further information or assistance please contact me at bhay@culturalcybersecurity.com

Cultural Cyber Security is proud to be a partner of Hall Chadwick.



For more information, please contact your local Hall Chadwick office:

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Disclaimer

This is not advice. Clients should not act solely on the basis of the material contained in this Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Newsletter is issued as a helpful guide to clients and for their private information.

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