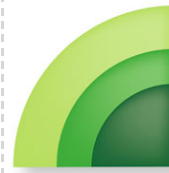




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Henry Report could have serious repercussions



Accountants set to count cost?

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UP to two-thirds of accounting firms could be forced to close their doors, at an estimated cost of \$900 million in lost revenue, if certain proposed tax system reforms contained in the Henry Report are introduced.

That's the view of specialist accounting business consultant Rob Nixon.

Treasury Secretary Dr Ken Henry's long-awaited report has not yet been released and is currently being reviewed by the federal government before their response is made public.

One of the proposals the report is believed to contain is designed to simplify the system, but it is causing some angst.

The suggestion aims to dispense with paper-based tax returns and give people the option of claiming a "standard" work deduction rather than visiting a tax agent to lodge their return each year.

Mr Nixon said the reforms could mean changes to the size of accountancy firms, the services they offer and the way universities teach accountancy.

They could also wipe out the need to attract accountants from overseas.

He believed many small accounting firms would fold unless they placed more emphasis on advice to grow businesses rather than simply helping people fill out tax forms.

"In Australia, 68% of accounting firms employ less than five

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Henry Report causes angst

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people and these are the firms most likely to be hit hard by a new tax regime," he said.

"The proposed one page, simplified tax return would mean six million people won't need to use an accountant any more. These are the people these small accounting firms service.

"These reforms will reward those who are organised in their own systems, who develop business advisory services, who share the knowledge they have gained with their unique insight into so many businesses."

PJT Accountants and

Business Advisors director Jodie Thompson said the proposed changes would be good for the industry on the whole.

"It will force accountants to provide more business advice, and their clients and the local economy will benefit," she said.

"I think universities will also need to change the way they teach accounting, as many of them don't touch on business advice or the soft skills you need, not to the degree that is required in practice.

"One other risk is if individuals don't have to lodge a return, they will not be getting in front of a tax agent or a professional to

chat about their situation."

H&R Block regional director Frank Brass said that is precisely the reason why the majority of people will still choose to lodge their return through face-to-face contact with a tax agent.

"We don't think it will hurt our business," he said.

"The average deduction in 2006, the latest figures we have, is about \$3500.

"There is no way the tax office will offer anything like that as a standard deduction.

"As long as we can show we are relevant and can add value, clients will continue to come to us.

"When Ken Henry first talked about it, he talked

about no tax returns. We were more anxious then than we are now. But the devil is in the detail."

Ms Thompson added the move would help ease the burden of the shortage of accountants and that the firms who may be severely impacted should be examining what extra services they can provide their clients.

"When Ken Henry first talked about it, he talked about no tax returns. We were more anxious than we are now. The devil is in the detail."



BENEFITS: Jodie Thompson.