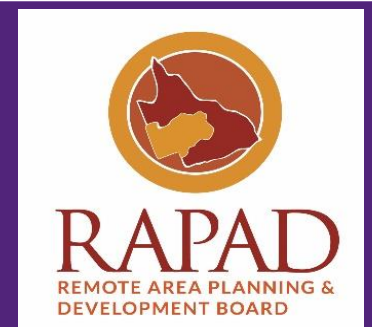


Submission



National Drought and North QLD Flood Response and Recovery Agency

Briefing Note

Winton, QLD

Contents

Executive summary	4
Introduction	7
The Briefing Note	8
Why did we prepare this Briefing Note?	8
What the Briefing Note covers	8
Future engagement	
The Pilot Study in a nutshell	9
Background	9
Where is the Pilot Study conducted?	9
Why is RFCSNQ involved?	9
How is the RAPAD community involved?	10
Where do we provide more information about the Pilot Study?	11
What makes the Pilot Study unique?	11
National relevance of the Pilot Study	12
Our initial focus	12
How we expanded our view and focus	12
Why the Pilot Study became nationally important	13
Linking national knowledge about farm business structures to our Pilot Study	13
What are some of the nationally relevant questions our Pilot Study seeks to answer?	14
Where are we now in the Pilot Study?	15
Progress to date	15
What is next?	15
Contributions to the Agency's work	16
Context	16
Features of the RAPAD region drought	16
Example 1: Concessional loans v Co-contributor grants as funding mechanisms for exclusion fences	17
Example 2: Concessional loans v Commercial debt	19

Example 3: External v Internal debt	20
Example 4: The impact of tax losses on instant asset write-offs and Farm Management Deposits	21
Example 5: What financial advice primary producers seek	22
Appendix: Pilot Study description	23

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Executive Summary

This Briefing Note is a written submission to the National Drought and North Queensland Flood Response and Recovery Agency.

The Briefing Note was prepared by a team of UQ Researchers who are currently conducting a Pilot Study in the RAPAD region of Central Western Queensland, in collaboration with industry partners RAPAD and RFCSNQ. The Pilot Study is entitled: **RAPAD region policy solutions and business innovation for farmers and small businesses.**

The Pilot Study is relevant to the National Drought and North Queensland Flood Response and Recovery Agency's work.

The Briefing Note supports an oral presentation to staff of the Agency, at a meeting of the RAPAD Board held in Winton, QLD on 25 February 2020. In particular, the Briefing Note introduces the Pilot Study to the Coordinator-General of the National Drought and North Queensland Flood Response and Recovery Agency, the Hon. **Shane Stone** AC QC, and serves as a platform for future engagement with Mr Stone and the Agency.

The Briefing Note:

- Provides an overview of the UQ–RAPAD–RFCSNQ Pilot Study and why the Pilot Study is unique
- Explains the national relevance of the Pilot Study
- Sets out what progress has been made to date and plots the way forward for the Pilot Study
- Details examples of research questions and specific aspects of the UQ team's research, where the UQ–RAPAD–RFCSNQ Pilot Study's evidence-based data and finding can make a contribution to the Agency's work.

The examples discussed in the Briefing Note cover a range of drought-relevant areas of interest, summarised below:

Example

1 **Concessional loans v Co-contribution grants as funding mechanisms for exclusion fences**

Concessional loans and co-contribution grant schemes are important funding mechanisms for exclusion fences that may be applied in reference to the environmental threat of wild dogs that, together with drought conditions, have a significant negative impact on agricultural prosperity.

Our UQ research team has prepared a comprehensive Research Paper funded by a grant from the Rural Economies Centre of Excellence that undertakes two case studies to explore different conceptions of partnerships, collaboration and cooperation in reference to the application of loans and grant funding in very remote area development.

The case studies are:

1. The loan-based Longreach Wild Dog Exclusion Fence Scheme and
2. The RAPAD Cluster Fencing Grant Scheme.



2 Concessional loans v Commercial debt

Concessional loans continue to be an important policy tool in the context of drought.

Our Pilot Study tracks the values of concessional loans, compared to commercial debt in the RAPAD region at the farm gate. In particular, our study documents:

- Who owns the farm land. This is relevant to loan security
- Who owns and operates the farming operations to determine where cash is generated, compared to the structure/s where loans are held. When mortgages and loans, and farming operations are in different entities, there is a knock-on effect on taxation and on cash flow that we are able to measure
- Estimates of the value of cash generated by the farming operations, and compares that to interest payable on loans
- Can predict whether primary producers will be able to pay interest on concessional loans after two years, and principle and interest after five years if their operations are to remain the same.

3 External v Internal debt

Loans between participants in family businesses are common. So too are loans between participants and the legal business structures they use to operate their family business. It may be that participants regard these loans as equity. But these are loans nevertheless, that are presented as such in financial statements and which are thus relevant in:

- Assessing credit and loan applications
- Determining the selling price of the business when participants want to exit the business
- The investment decision of any external party who wants to invest equity in the business.

Our preliminary findings have revealed the presence of:

- Significant sizeable loans between family members and the legal structures they use to operate their businesses
- Drawings accounts in discretionary trusts and in sole trader and partnership businesses for participants other than the legal business owners.

From a legal perspective, these are not always justified in reference to the law of trusts and ownership rights, and there is currently uncertainty about the treatment of loan forgiveness from a tax perspective.

4 The impact of tax losses on instant asset write-offs and Farm Management Deposits

There is little doubt that instant asset write-offs and Farm Management Deposits are powerful tax policy tools to assist primary producers under drought conditions.

However, prolonged drought conditions often result in large carry forward tax losses. Our preliminary findings reveal the presence and impact of assessed tax losses that make instant asset write-offs and the FMD scheme ineffective in many cases.

5 What financial advice primary producers seek

Rural financial counsellors are an important resource for primary producers in financial distress. Data about the activities of rural financial counsellors, in reference to the standardised reporting activities that all rural financial counselling services use across Australia, provide important insights into what matters for primary producers.

Our research has delivered evidence-based findings that are relevant to the work of the Agency and show the extent to which cash flow and budgeting is key, and how often primary producers seek advice about debt and other government support.

Introduction

The National Drought and North Queensland Flood Response and Recovery Agency ([The Agency](#)) was established in December 2019. The Agency is a Federal Government body, led by the Coordinator-General, the Hon. Shane Stone AC QC.¹

The Agency is tasked with leading ‘a national response to the drought affecting large parts of the country and to continue supporting North Queensland communities affected by wide-spread flooding in early 2019’.²

In so far as the drought goes, the Agency will provide the Government with policy and program advice,³ in reference to the *Australian Government’s Drought Response, Resilience and Preparedness Plan* that has three parts:⁴

- Part 1: Immediate action for those in drought – focused on measures to support farmers and communities facing prolonged drought conditions to keep them going until the drought breaks.
- Part 2: Support for the wider communities affected by drought – rural and regional communities depend on our farmers and are at the heart of Australia.
- Part 3: Long-term resilience and preparedness – building resilience and ability to withstand drought periods in the long term.

The main focus of the Agency’s activities since its establishment less than three months ago, has been community visits and consultation.

In his capacity as Coordinator-General, Mr Stone has met with primary producers, small business owners and community leaders across the length and breadth of Australia. In December 2019, Mr Stone visited the following communities in the RAPAD region: Barcaldine, Boulia, Longreach and Winton.⁵

RAPAD region community leaders and staff from RAPAD and the Rural Financial Counselling Services North Queensland (RFCSNQ) have a further opportunity to meet with two senior staff members from the Agency in Winton on 25 February 2020.

It is within this context that our research team from the University of Queensland was invited to provide the Agency’s staff in attendance at Winton, with information about a joint **UQ–RAPAD–RFCSNQ Pilot Study** that is relevant to the Agency’s work.

¹ National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *About* (2019) <https://www.droughtandflood.gov.au/about>.

² National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *Progress to date* (2020) <https://www.droughtandflood.gov.au/progress-date>.

³ National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *Progress to date* (2020) <https://www.droughtandflood.gov.au/progress-date>.

⁴ Commonwealth, *Drought in Australia* (Australian Government Drought Response, Resilience and Preparedness Plan, 2019) 6.

⁵ National Drought and North Queensland Flood Response and Recovery Agency, ‘Community Visits’, *Where we have been* (February 2020) <https://www.droughtandflood.gov.au/community-visits/where-we-have-been>.

The Briefing Note

Why did we prepare this Briefing Note?

This Briefing Note supports an oral presentation to Agency staff at a meeting held in Winton, QLD on 25 February 2020.

In particular, the Briefing Note introduces the Pilot Study to the **Coordinator-General** of the National Drought and North Queensland Flood Response and Recovery Agency, the Hon. **Shane Stone** AC QC, and serves as a platform for future engagement with Mr Stone and the Agency.

What the Briefing Note covers

The Briefing Note:

- Provides an overview of the UQ–RAPAD–RFCSNQ Pilot Study and why the Pilot Study is unique
- Explains the national relevance of the Pilot Study
- Sets out what progress has been made to date and plots the way forward for the Pilot Study
- Details examples of research questions and specific aspects of our research, where the UQ–RAPAD–RFCSNQ Pilot Study’s evidence-based data and finding can make a contribution to the Agency’s work.

Future engagement

The guiding principle for the Agency is: ‘**Locally led, locally understood and locally implement**’.⁶

Similarly, the Pilot Study is a community-led RAPAD region project with national outcomes in the areas of:

- Drought policy and practical drought-proofing strategies
- Taxation law and concessions for primary producers
- The efficacy of grants, concessional loans and co-contribution grants
- Farm cash management strategies
- Multi-stakeholder feral animal strategies and programs
- Rural financial counselling.

The UQ research team would welcome an opportunity for further engagement with Mr Stone and Agency staff.

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⁶ National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *About* (2019) <https://www.droughtandflood.gov.au/about>.

The Pilot Study in a nutshell

Background

In March 2019, researchers from the University of Queensland's Law School and the UQ Business School embarked on a three year Pilot Study in collaboration with RAPAD and RFCSNQ.

The research is conducted under Institutional Human Research Ethics Approval Number: **2019000030** [Duration to 28/2/2024].



The name of the Pilot Study is: **RAPAD region policy solutions and business innovation for farmers and small businesses**

The purpose of the Pilot Study was to apply a legal lens to investigate:⁷

1. The differences between the legal structures adopted to conduct farming and small business
2. Participants' practical access to business-generated cash
3. The way capital is raised, and
4. How existing ownership is transferred in family firms.

UQ, RAPAD and RFCSNQ envisaged that:⁸

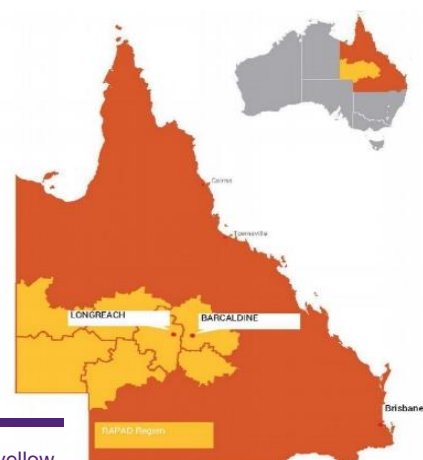
The research will provide much needed evidence-based findings to inform policy and development of the RAPAD-region economy, and valuable insights into cash flow optimisation; the impact of income tax on small firms and their participants; the impact of rural financial counselling service; and firm succession in a regional economy dominated by small firms.

Where is the Pilot Study conducted? Why is RFCSNQ involved?

The Pilot Study is conducted in the RAPAD region of Central Western Queensland. The RAPAD region spans the local government areas of:

Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton.

In order to better understand the business structures and cash flow of primary producers who are experiencing financial hardship due to the prolonged drought across the RAPAD region, the UQ researchers are taking into account the role that rural financial counsellors play in improving the financial position of primary producers in collaboration with RFCSNQ.



RAPAD Region in yellow

⁷ TC Beirne School of Law, *Business structures and access to cash* (Pilot Study, 1 March 2019) 3.

⁸ TC Beirne School of Law, *Business structures and access to cash* (Pilot Study, 1 March 2019) 3.

How is the RAPAD community involved?

The Pilot Study relies entirely on the participation of primary producers and small business owners in the RAPAD region.

Operating under the strict constraints of the HREA ethics certificate, primary producers and small business owners provide our UQ researchers with access to:

- Their personal income tax returns
- The income tax returns for their business operations
- The financial statements prepared for their businesses
- Their cash flow projections
- Information related to their applications for concessional loans, the FHA and other grants.

From a leadership perspective, the RAPAD Board has endorsed and supports the research.

The RAPAD CEO, Mr David Arnold, was instrumental in shaping the research project so that it fits with what the RAPAD region strategic plans.

The research team also receives in-kind support – office space, internet access and accommodation support – from the two largest accounting firms in the RAPAD region, Ringrose Button and Walsh Accounting. Ringrose Button partners, Bill Ringrose and Elaine Jacobie, and Walsh Accounting partners Lionel and Tony Walsh, continue to provide advice and support to the researchers.

Ringrose Button
chartered accountants



Walsh Accounting

PROBLEM? SOLVED.

Mrs Ann Ballinger, a prominent retired grazier from Muttaborra, has also lent her support to the project.

Mrs Ballinger is patron and advisor to the researchers.

Mrs Ballinger's experience on the land and her knowledge of effective pasture management around Longreach and Barcardine, has provided the researchers with deep insights into farm business management in the sheep industry.

Mrs Ballinger is a Board member of the RNA Foundation, Director of Desert Channels Queensland, and North Executive member of AgForce.



Mrs Ann Ballinger (right), pictured with Dr Thea Voogt, UQ Chief Investigator

Where do we provide more information about the Pilot Study?

The Pilot Study project description, dated 1 March 2019, is provided in the Appendix to this Briefing Note.

What makes the Pilot Study unique?

- The trust relationship that exists between primary producers, small business owners and the researchers. Trust is the essential element to the project that works with personal and sensitive financial data
- The project does not consider taxation in isolation
 - We have taken a whole-of-business cash flow approach to better understand the application of income tax concessions for primary producers, including Farm Management Deposits, instant asset write-offs, and income tax averaging – all relevant under long-term drought conditions
 - Our study considers the cash flow requirements and cash flow implications of income tax drought concessions at the farm gate. No ATO data or industry statistics can achieve this. Primary producers do not report their cash position in their tax returns, but this aspect is nevertheless key to many drought-relevant tax concessions and tax policy tool
- We are able to map the consolidated debt position of primary producers in reference to:
 - Commercial debt, concessional loans and internal debt
 - The significance and consequences of inter-entity and inter-family debt had never been studied before. No other study has been able to do this, as data and statistics focus on single legal structures, not the combination of legal structures involved in operating farm businesses, and data about internal debt is private and not available in the public domain
- We compare the profitability of farms (in accounting terms), to taxable profit, and to the actual cash resources that primary producers and their family members have access to
 - Taxable income is entirely different to the cash farm families need to survive, when viewed in the context of the cash resources that go towards the repayment of debt and interest – key aspects of drought assistance to primary producers.
- We have been able to analyse data about the activities of rural financial counsellors in the north of Queensland in significant detail to:
 - Understand the role that rural financial counsellors play as change agents in primary production
 - Quantify the impact of debt mediation and debt restructuring that are relevant to concessional loans
 - Pinpoint what primary producers want from rural financial counsellors
 - Contextualise the day-to-day activities of rural financial counsellors against the national goals of rural financial counselling.

National relevance of the Pilot Study

Our initial focus

Pilot studies are inherently exploratory in nature.

The Pilot Study was initially designed to focus on the legal structures of farm businesses and family businesses in the RAPAD region.

Generally speaking, the legal structure of a business:

- Frames the three ways in which participants who bear business risk are able to benefit from the business. Firstly, through ownership interests. These may involve direct asset ownership as sole trader, partnership entitlement rights, or share ownership in a company. Secondly, through employment rights as employees, that may be linked to future ownership interests as part of a family firm succession plan. Thirdly, through discretionary entitlements if the business is operated using a trust or through a business structure that incorporates a trust
- Dictates the formality with which business decisions ought to be taken, and in some cases, the timing of these to be income tax effective
- Limits the extent to which firm participants who bear business risk are able to merge their personal finances with firm finances on the one hand, or necessitates a merging of the two on the other hand to collateralise firm debt with personal assets or to self-fund working capital
- Determines the legal nature of family member entitlements to cash generated by a family firm to fund their personal expenses, how these are recorded for accounting and income tax purposes, and their personal liability for firm debt
- Drives the taxation of economic business benefits, the availability of after-tax cash flow to fund working capital, springboard business growth and innovation, and to meet the personal financial needs of participants
- Provides the platform for new capital investments, and facilitates firm succession.

How we expanded our view and focus

During the first months of the Pilot Study, researchers were present in Longreach to demonstrate the team's long-term commitment to the project. During this time, several initiatives were used to create momentum around the project in order to recruit participants.

Researchers were also able to gain insights into the role of rural financial counsellors and their day-to-day activities, by being present in the RAPAD region for long periods. It became clear that the data captured about the activities of rural financial counsellors are very important to research focused on:

- Farm debt management
- Government support for farm families
- The efficacy of drought-focused tax concessions.

Our findings and output in regard to rural financial counselling are unique, and relevant to the Agency's work.

Why the Pilot Study became nationally important

The main objective of the Pilot Study has always been to study the legal structures of farm businesses and family businesses in the RAPAD region.

In 2019, ABARES identified that there is a lack of clarity about the structure of farms and farming in Australia, and highlighted that this is a matter of national importance at a policy level. It is for this reason that ABARES embarked on a review of the structure of farms and farming in Australia in 2019.

Relevant extracts from the ABARES website are provided below:

<https://www.agriculture.gov.au/abares/research-topics/surveys/structure-of-farms>

The structure of farms and farming in Australia

Introduction

As part of its research program, ABARES is currently undertaking a review of the structure of farms and farming in Australia. By examining changes in the structure of agriculture we can better understand how and why this process takes place. Examples include: long term declines in the number of farm businesses; changes in farm business ownership arrangements; vertical coordination in the form of production contracts and/or vertical integration of businesses in some industries; and greater use of non-family labour.

This research will contribute to greater understanding amongst government and industry decision makers by clearly articulating trends and issues in the structure of farms and farm households. This project provides context for other work being conducted in ABARES, including farm survey industry reporting, productivity analysis, farm labour, and evaluation of impacts of the Murray–Darling Basin Plan. Knowledge of how the structure of farms has evolved helps us understand future responses.

Agriculture is continuously evolving through a process of ongoing change and adjustment. Resulting changes in distributions of ownership and control of resources influence the incentives faced by farm decision makers. From a policy perspective it is important to be able to examine the scope of impacts from any given change. Some changes have widespread social impacts at either regional or national scales, while others are of narrower significance.

There are many ways to describe the structure of agriculture. These are simultaneously concerned with farms and farm businesses, farm households, and agricultural resource use.

- **Farm businesses** combine the services of land, labour, capital and management in production of agricultural products.
- **Farm households** are concerned with the welfare of household members. They make separate, but related, decisions to farm businesses. The presence of more than one person involved in ownership or management complicates the link between farm businesses and farm households. Household dynamics also influence the behaviour of farmers and the operations of farms. An example is when long term investment decisions may be influenced by whether or not the farm operator has a successor.
- **Agricultural resources** are fundamental to the organisation of farm businesses and it is the quality, quantity and relative mix of land, labour, capital and management through which structural change occurs.

Linking national knowledge about farm business structures to our Pilot Study

There is no accurate data about the legal structures that farm families use:

- There is no register of family businesses in Australia
- There is no one legal structure for family businesses
- Farm families can use a combination of legal structures to operate their business. Some of these structures may involve primary production, while others don't, making it difficult to track the inter-relationship between the structures in referencing to farm businesses.

For example, if farm land is owned by a partnership, and the farm operations are conducted through a discretionary family trust, the partnership won't have primary production income. It is likely that the partnership will charge the trust rent, and disclose the receipt as such in income tax returns, not as primary production income.

ATO data about the financial position of primary producers are a valuable source of data for policy makers. However, ATO data relates to businesses based on TFN/ABN numbers. Data are not collected about the number of legal business structures used by one farm family, nor how the financial position of each legal structure (which has its own TFN/ABN) relates to the operations of a farm family, and to their assets and liabilities.

This is where the Pilot Study plays a critical role in collecting data centred on business structures, and in explaining what it means in cash flow terms, generationally and in reference to income tax, and specifically in the RAPAD region where the climatic impact of drought on the beef and sheep industries means cash flow is a critical part of business planning.

The time investment required to collect this significant data about the legal structures that families use, and what the relationship and loans between the structures are, is significant. There is no easy fix or work-around.

The Pilot Study is thus unique, takes time, and is built upon trust.

When we have a clear picture of how the legal structures that farm families use interact with each other and with them as individuals, we will also be in a position to answer the critical question:

In which legal structure is farm land held, particularly in the case of beef and sheep producers?

Without this perspective, it is difficult to predict succession cash flow requirements or to influence policy in this space.

What are some of the nationally relevant questions our Pilot Study seeks to answer?

Pilot studies are inherently exploratory in nature. Based on our preliminary data analysis and findings, the depth and breadth of data and analysis possible in the Pilot Study will allow us to answer a number of research questions that we did not anticipate given our initial focus which was on legal structures.

These include:

- What are the relative values of commercial debt and concessional loans across different legal structures that farm families use? How does this compare to internal loans, cash flow and interest payments? How can we use this to influence meaningful drought assistance policy?
- What is the relationship between cash generated by primary production, repayment of commercial debt, interest payments on concessional loans, and drawings across all business structures? What does this tell us about the efficacy and inherent risks in concessional loans?
- What has the impact of agistment been in the RAPAD region? What does that mean for the definition of 'farming'?
- In reference to the trust tax policies of some political parties in Australia: what might a 'farm trust' be? What are the risks with this definition for primary producers?
- What is the relationship between business income, taxable income, personal expenses, and practical access to cash due to working capital requirements? What does that mean for policy makers?
- What is the impact of successive assessed tax losses on Farm Management Deposits and instant asset write-offs? What does this tell us about the efficacy of these drought policy tools?

Where are we now in the Pilot Study?

Progress to date

The Pilot Study commenced in March 2019. With the assistance of RFCSNQ, our team has been able to collect relevant data from primary producers who are clients of RFCSNQ and who have given their written informed consent to participate in the Pilot Study.

The data sets are large, involve individuals and data about their personal financial position, and data about their business financial position, and over a number of years. These are the main groups of data we collect about individuals and the legal business structures they use:

- Profit and loss
- Balance sheet
- Livestock trading results
- Livestock numbers and changes in herd and flock size
- Family accounts and records of distributions
- Income tax return data.

To date, we have collected data about 19 different businesses and 31 primary individuals across all of the main groups of data.

These data have now been categorised and input were subjected to a 100% audit.

We have been able to incorporate our preliminary findings and case studies from that:

- In presentations to the RAPAD Board and at other fora
- In strategy and risk management-focused recommendations to the RFCSNQ PMC (Board)
- In operational reports prepared for RFCSNQ
- In four conference papers and one research paper.

What is next?

In January 2020, the researchers met to discuss the composition of the data to map a way forward, with particular emphasis on publications.

Our immediate priority is to standardise the data sets. In some cases, we have data for two income years, and in others, as much as five years. Our aim is to have at least four years of data across all businesses and in reference to all of the individual participants.

Secondly, we will be seeking 2018–2019 income year data for all businesses and individuals. Participants who had an extension to lodge their 2018–2019 income tax returns would have likely had an extension until January 2020. Therefore, with the assistance of RFCSNQ, we should be able to get up to date data in most cases.

In parallel with this process, we will also continue with our publication output. In 2020, we will be focusing on academic journal publications and summary reports for RAPAD.

Contributions to the Agency's work

This section of the Briefing Note sets out examples of some of the specific aspects and research questions where the UQ–RAPAD–RFCSNQ Pilot Study's evidence-based data and output can make a contribution to the Agency's work.

Context

The Pilot Study, its data, findings, and output have a particular context. The most important of these:

The impact of prolonged long term drought conditions

Compared to natural disasters such as floods, drought – *prolonged drought* – is very difficult to address at a policy level and at the farm gate

- The impact of prolonged drought is not sudden
- The efficacy of responses are not immediately apparent
- The legacy of drought never ends, **unless it rains.**

It is against this backdrop that the Pilot Study is able to provide evidence-based long-term insights into the long term national problem of drought at the farm gate.

Features of the RAPAD region drought

The RAPAD region has been drought declared for nearly a decade. The region and the drought in Central Western Queensland have different features when compared to other regions of Australia, and to other geographical areas that are under drought conditions, and which may inform the Agency's work. In particular:

- All of the local government areas in the RAPAD region are classified as 'very remote' by Remoteness Area derived from the Accessibility and Remoteness Index of Australia (ARIA+): major cities, inner regional, outer regional, remote and very remote
- The region's geographical distance from larger centres and from the Eastern seaboard negatively impacts: diversification into other industries (including cropping), transport costs, and attracting manufacturing and new industries to the region
- The community has placed significant emphasis on the 'place value' of the region in developing its integrated RAPAD region economic development strategy to 'Bring back the sheep'. In developing this strategy, the inherent value of the land and pastures, knowledge of the land over decades, and the rich agricultural history of the region's sheep industry, have all been recognised and harnessed for the benefit of the community. Tried and tested success factors count
- The prolonged drought has been a key contributor to rural outmigration in the region. Distance and remoteness will likely make it difficult to turn this position around
- Another significant environmental factor that has negatively impacted agricultural prosperity in the region is the presence of wild dogs. The livestock losses that primary producers suffer as a result of wild dog attacks, the cost of wild dog management on their properties, and the emotional impact of the constant threat of wild dogs on landholders and their families, have been significant. The exclusion fencing schemes in the region have returned significant positive returns.

Example 1: Concessional loans v Co-contribution grants as funding mechanisms for exclusion fences

Our team has prepared a comprehensive Research Paper about the RAPAD region's integrated economic development strategy to 'Bring back the sheep'.

The Research Paper was funded by a grant from the Rural Economies Centre of Excellence.



The final Research Paper will be released on 6 March 2020.

The Research Paper focuses on two different funding mechanisms for exclusion fences.

In January 2020, the Minister for Agriculture, Drought and Emergency Management, the Hon David Littleproud MP, announced another \$10 million for initiatives to combat feral animals and weeds.⁹

This is an extract from the draft Executive Summary of the Research Paper:

The case studies

This Research Paper undertakes two case studies to explore different conceptions of partnerships, collaboration and cooperation in reference to the application of two policy tools – loans and grant funding – in very remote area development.

The setting of the case studies is the RAPAD region of Central West Queensland. The case studies are focused on the construction of exclusion fences as the essential element of the 'Bring back the sheep' economic development strategy. Wild dogs are pest animals and exclusion fences are an important tool in wild dog management. Exclusion fences are infrastructure that benefits landholders, communities and the government in the context of pest management.

The case studies are:

1. The loan-based Longreach Wild Dog Exclusion Fence Scheme (LES) and
2. The RAPAD Cluster Fencing Grant Scheme (RAPADCS).

The two exclusion fencing schemes employ different policy tools – a long term loan and grant funding – to facilitate the construction of exclusion fences on privately owned land. Overall, the net cost to the government of using the policy tools are low, but both have the potential to deliver high returns in very remote communities.

The LES and RAPADCS are characterised by a high level of cooperation between the state, local government, a regional body and landowners that extends to several areas:

- Funding
- Governance, accountability and reporting
- Pest management, and
- Facilitative infrastructure investments focused on region-wide economic growth.

⁹ Department of Agriculture, Water and the Environment, Australian Government (Cth), '\$10 Million Extra to Combat Feral Animals and Weeds' (Media Release, 18 December 2019).

The relevance of the case studies to other infrastructure investment projects

The case studies consider the nature of exclusion fences as infrastructure assets, the funding models applied, and the level of practical, social and financial cooperation required to achieve the desired outcomes. Furthermore, the case studies provide insights into the role and efficacy of loans and co-funding grants in infrastructure investments in remote and very remote areas.

The systematic approach used to analyse the application of long term loans and grant funding as policy tools in the context of 'partnerships, collaboration and cooperation', serves as a blueprint for the assessment of other privately-owned infrastructure investment projects that have the potential to drive economic growth in communities.

Key risk areas explored

The case studies identify and explore key risk areas of government-funded or government-facilitate infrastructure investments.

Firstly, the Research Paper analyses the private benefits that arise from subsidised private infrastructure investments that are the inevitable result of grant funding. The paper contrasts the private benefits with the net public benefits that arise from exclusion fences and assesses alternative strategies to deal with the private benefits that arise from the two schemes in the case studies.

Secondly, the Research Paper pinpoints the financial risks present in the two schemes and explains how existing regulatory processes are able to limit the credit risk borne by local government authorities when they act as funding agent between the state and private enterprise.

Thirdly, time plays an important, but different role in the two case studies, and has different cost and time value of money implications for the different parties to the funding arrangement. The systematic analysis of 'time' reveals the advantages and disadvantages of loans and grant funding as policy tools.

The fourth key risk associated with fencing is freeriding. The case studies explore different forms of freeriding namely freeriding in the construction of a fence; monitoring and maintenance freeriding; and differential payment-based freeriding. The paper points out that there are extensive regulatory processes to deal with freeriding associated with dividing fences and contrasts this position to the higher risk of freeriding that is present in other infrastructure investment projects such as those associated with telecommunication and energy.

The fifth important aspect of the Research Paper is the process required to identify the most appropriate legal framework and business model for infrastructure investment projects that involve multiple stakeholders. The paper illustrates how important it is to understand:

- The nature of the asset
- What the asset does, and
- Who benefits from the asset, both directly and indirectly.

Example 2: Concessional loans v Commercial debt

Concessional loans continue to be an important policy tool in the context of drought.

Traditionally, concessional loans have been made available to primary producers. In December 2019, the Federal Government announced that the concessional loan scheme, operated by the Regional Investment Corporation (RIC), would be expanded so that low-interest loans of up to \$500,000 would also be available to farm-dependent businesses.¹⁰

Our Pilot Study tracks the values of concessional loans, compared to commercial debt in the RAPAD region at the farm gate. In particular, our study documents:

- Who owns the land – this is relevant to loan security
- Who owns and operates the farming operations to determine where cash is generated, compared to the structure/s where loans are held. When mortgages and loans, and farming operations are in different entities, there is a knock-on effect on taxation and on cash flow that we are able to measure
- Estimates of the value of cash generated by the farming operations, and compares that to interest payable on loans
- Can predict whether primary producers will be able to pay interest on concessional loans after two years, and principle and interest after five years if their operations are to remain the same.

Below, we present an extract from four case studies of participants in our Pilot Study.

	Case study 1	Case study 2	Case study 3	Case study 4
Land owned by	Individuals	Individual	Partnership	Partnership
	Separate small properties			
Farming operations conducted by	Partnership of 3	Sole trader	Partnership	Discretionary trust
Other legal structures				Corporate trustee
Total of commercial debt	\$2,220,000	\$425,000	\$725,000	\$5,460,000
Total of concessional loans	\$1,345,000	\$345,000	\$0	\$0
Estimate of cash generated by operations	\$320,000	\$170,000	\$110,000	\$1,570,000
• Rent pd to partnership				(\$270,000)
Interest paid	\$160,000	\$40,000	\$40,000	\$160,000
• Interest as % of cash generated	50%	24%	36%	60%
# of livestock (S=sheep) (C=cattle)	4,750 = S 400 = C	500 = C	3,600 = S	2,000 = C

¹⁰ Department of Agriculture, Water and the Environment, Australian Government (Cth), 'Drought Loans for Farm-Dependent Small Businesses' (Media Release, 17 January 2020).

Example 3: External v Internal debt

Loans between participants in family businesses are common. So too are loans between participants and the legal business structures they use to operate their family business.

It may be that participants regard these loans as equity. But these are loans nevertheless, that are presented as such in financial statements and which are thus relevant in:

- Assessing credit and loan applications
- Determining the selling price of the business when participants want to exit the business
- The investment decision of any external party who wants to invest equity in the business.

Our preliminary findings have revealed the presence of:

- Significant sizeable loans between family members and the legal structures they use to operate their businesses
- Drawings accounts in discretionary trusts and in sole trader and partnership businesses for participants other than the legal business owners.

From a legal perspective, these are not always justified in reference to the law of trusts and ownership rights, and there is currently uncertainty about the treatment of loan forgiveness from a tax perspective.

Below, we present an extract from two case studies of the relative values of external and internal debt to illustrate the significance of the potential risks and impact of internal debt.

	Case study 1	Case study 4
Total of commercial debt	\$2,220,000	\$5,460,000
Total of concessional loans	\$1,345,000	\$0
Loans that partners/trust owe the partnership	(\$600,000)	(\$850,000)
Loans that the partnership owes the partners	\$150,000	
Loans that the trust owes family members		\$1,800,000

Our conference papers have focused on internal debt and drawings from an accounting, tax law and cash flow perspective.

Example 4: The impact of tax losses on instant asset write-offs and Farm Management Deposits

Instant asset write-offs remain an important tax policy tool to assist farmers generally, and to support farmers who want to invest in infrastructure and equipment as part of drought-proofing and in drought resilience strategies.

Instant asset write-offs enable primary producers to claim the full capital cost of assets as a tax deduction in the income year when they purchase the item. Instant asset write-offs are generous. For example, as at 1 July 2019, each individual asset purchased in a small business entity with a purchase cost of less than \$30,000 qualifies for the concession.

However, in the event that a primary producer returns an assessed loss in the year when they purchase the asset, there is no tax saving from the instant asset write-off in that year as the primary producer does not have taxable income in the first instance, against which to leverage the write-off.

In the case of primary producers with large carry forward assessed losses, it is unlikely that they will benefit from instant asset write-offs for many years, which reduces the benefits of instant asset write-offs as a tax policy tool.

Our data reveal the extent of this problem.

Secondly, Farm Management Deposits help farmers in smoothing their income and cash flow, but uptake appears low. In order to make deposits into Farm Management Deposit accounts, primary producers must:

- Have free cash flow available (that they do not need for working capital purposes or to pay for their personal expenses), and
- The value of a deposit into the FMD scheme may not exceed the value of the depositor's taxable primary production income for the year.

Below, we present an extract from four case studies to illustrate:

- The estimated level of cash that farming operations generate, that must be used to pay interest on debt in the first instance
- The presence of tax losses in the year
- The value of carry forward tax losses.

	Case study 1	Case study 2	Case study 3	Case study 4
Estimate, cash generated by operations	\$320,000	\$170,000	\$110,000	\$1,570,000
Interest paid	\$160,000	\$40,000	\$40,000	\$160,000
Tax loss in this year	Yes	Yes	Yes	No
Value of tax loss	\$410,000	\$10,000	\$110,000	
Carry forward tax losses	\$1,530,000	\$510,000	\$300,000	\$0
Cash reserves? (Free cash flow estimate)	No	No	No	Yes

Example 5: What financial advice primary producers seek

Rural financial counsellors are an important resource for primary producers in financial distress.

Data about the activities of rural financial counsellors, in reference to the standardised reporting activities that all rural financial counselling services use across Australia, provide important insights into what matters for primary producers, and what financial advice they might seek.

Our research has delivered evidence-based findings that are relevant to the work of the Agency.

For example, in reference to the work of RFCSNQ as a whole (not only in the RAPAD region):

- Counsellors spend 50% of their time on activities associated with steps to put clients in a better financial position in the long terms – change drivers
- Leaving aside the February 2019 North QLD floods, counsellors spend around 15% of their time on other government support for their clients, noting that these support programs and grants often require the preparation of cash flows that are captured separately
- Debt restructuring and farm debt mediation take up around 15% of counsellor's client time, noting that these activities often require the preparation of cash flows that are captured separately
- Client cash flows and budgeting take up nearly 25% of counsellor's client time.

Working together with the RAPAD CEO and RFCSNQ counsellors, our team has contributed to organisational strategies that:

- Place greater emphasis on the valuable role that rural financial counsellors play as change drivers
- Recognise that clients must play an active role in the counselling process.

Appendix

Pilot Study flagship document

Business structures and access to cash



***RAPAD region policy solutions and
business innovation for farmers and small businesses***

Pilot study

Contents

Our collaboration.....	3
Why are we working together to conduct the Pilot Study in the RAPAD-region?.....	4
The <i>Small Australian firm business structures</i> research project in a nutshell.....	5
Research project phases.....	5
The rationale behind the research.....	6
Why is small business research in the RAPAD-region relevant?.....	8
Who are the researchers?.....	10
Protecting participants' privacy and confidentiality.....	11
Who can take part in the Pilot Study?.....	11
References.....	12

Our collaboration

The **TC Beirne School of Law** at The University of Queensland (**UQ**), **RAPAD** and **Rural Financial Counselling Services North Queensland (RFCSNQ)** have joined forces in a three-year Pilot Study that will benefit farmers and small businesses across Central West Queensland.

The research will provide much needed **evidence-based findings** to inform policy and development of the RAPAD-region economy, and **valuable insights** into cash flow optimisation; the impact of income tax on small firms and their participants; the impact of rural financial counselling service; and firm succession in a regional economy dominated by small firms.

In doing so, the study will:

- **Benefit** businesses in Central West Queensland by developing integrated business and policy solutions that fit the unique features of the region
- **Make a contribution** to the rural financial counselling services delivered by RFCSNQ by building capacity and specialisation
- **Provide assistance** to firms experiencing financial hardship in the RAPAD-region by developing practical cash flow-focused optimisation strategies that meet the specific needs of small firms and small family firms in agriculturally dependent, climatically affected areas
- **Play an important role in the national debate** about the important role of rural financial counselling services in facilitating change
- **Express** the unique business narrative of innovation, resilience, connection to the land, and integration between farms, town businesses and communities in the council areas of Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton.

Set within the RAPAD-region, the purpose of the Pilot Study is to investigate:

- i. the differences between the legal structures adopted to conduct farming and small business,
- ii. participants' practical access to business-generated cash,
- iii. the way capital is raised, and
- iv. how existing ownership is transferred in family firms.

The Pilot Study commences in February 2019, and forms part of a larger TC Beirne School of Law research project: **Small Australian firm business structures**.



Mulla Mulla on the road to Windorah

Why are we working together to conduct the Pilot Study in the RAPAD-region?

The partnership between **UQ**, **RAPAD** and **RFCSNQ** provides a **comprehensive approach** to understanding small firms, small family firms, family farming, and businesses experiencing financial hardship across Central West Queensland that considers the unique economy and challenges in the region.

UQ is a **research intensive university** ranked among the world's top 50 universities.

The **TC Beirne School of Law** (UQ) is **ranked among the world's top 40 law schools**. Research at the TC Beirne School of Law is addressing national and global issues to make a significant and lasting contribution to the understanding and development of law, the effectiveness of law as a discipline, and to provide a better understanding of its interaction with other fields, and within communities.

RAPAD is a **peak regional economic development body**. RAPAD's **voice is heard** as it speaks up for communities in one of the most beautiful, but sparsely populated and remote regions of Australia. RAPAD-region-focused policy development will receive attention on national fora.

The services provided by **RFCSNQ** play a **pivotal role** in many farms and small businesses across the RAPAD-region. The confidentiality, professionalism and service excellence of RFCSNQ rural financial counsellors should be supported and showcased.

The research from this Pilot Study aims to provide evidence-based solutions to inform economic policy development; and develop strategies and tools that optimise prosperity for farmers and small businesses in the region.

Together, we recognise the important role that **trust** plays within businesses, financial counselling, and across communities. This Pilot Study safeguards privacy and confidentiality by adhering to ethics standards, privacy legislation, and formalised research protocols.

'As we face challenging times, RAPAD's positive outlook and commitment to deliver vital programs for our communities and local businesses continues to prove invaluable.'

– Cr Rob Chandler, RAPAD Chairman.¹



Hot air balloons over Birdsville

The *Small Australian firm business structures* research project in a nutshell

This Pilot Study forms part of a larger TC Beirne School of Law research project: **Small Australian firm business structures**.

Small businesses account for 97 per cent of all firms in Australia. It is estimated that 70 per cent of all Australian firms are family owned. Small firms and small family firms are extremely important to Australia's economic prosperity and exist within a legal framework of rights and obligations associated with the formal legal structure adopted to conduct the business. In Australia, there are four main business structures: sole trader, partnership, company, and trust.

These structures drive a number of interrelated aspects of the business, including: the ways in which participants are able to benefit from the business through ownership interests, employment rights or discretionary entitlements; the formality of business decision; the taxation of economic benefits; the reporting of business, tax and participant transactions; the extent to which a merging of firm and personal finances is appropriate; the availability of after-tax cash flow; participants' personal liability for firm debts; and methods to introduce new capital or transfer existing ownership rights.

This TC Beirne School of Law study investigates the differences between business structures, participants' practical access to business-generated cash, and the way capital is raised and existing ownership transferred in the context of small firms and small family firms in Australia.

Using a multi-faceted theoretical framework, four research themes are explored:

1. The factors that drive business structure selection.
2. Participants' understanding of the legal nature of their firm participation rights.
3. The merging of firm and participant personal finances.
4. Tools and strategies to plan for, manage and take advantage of the business structure adopted.

Research project phases

The research project will be conducted over a five year period, starting in February 2019.

Table 1: Research project phases

Phase	Description	Period
Pilot Study	Longitudinal Pilot Study of small firms and small family firms in the local council areas of Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton in Central West Queensland, commonly known as the RAPAD-region	3 Years, starting February 2019
Phase 2	A study of small firms and small family firms more generally across Australia	5 Years, starting February 2019

In phase 2, the research project will first focus on small firms and small family firms in remote, rural and regional Australia. This approach enables researchers to develop focused and appropriate policy that recognises the critically important contribution that small family firms make in the farming sector and in remote and rural economies.

The rationale behind the research

By virtue of its sheer ubiquity, small firms are extremely important to economic prosperity in Australia. Yet, research on these firms typically focuses on start-ups, reasons for small firm failure, or on single aspects within small firms, such as marketing practices, brand identity, energy efficiency or information technology use (see ARC website detailing grant funding from 2001). Little integrated research exists about small firm structures in Australia. No in-depth research has been published about the whole-of-firm impact that any particular business structure has on Australian small firms.

Family owned businesses are an established and enduring feature of the Australian business landscape.² In the agriculture sector, data show that 99 per cent of farm businesses are family owned and operated.³ Yet, there is very little research about family firms in Australia and little attention has been paid to this extremely important sector of the Australian economy from a policy perspective. This position is due to the lack of a definition of 'family firm', the focus of successive Australian governments on the promotion and support of small, medium and micro enterprises in which family firms are regarded as merely a subset of this population, and a lack of data about family firms and their business structures.⁴

Small firms and small family firms exist within a legal framework of rights and obligations associated with the formal legal structure adopted to conduct the business. In Australia, there are four main business structures: sole trader, partnership, company, and trust.⁵

The legal structure of a business:

- Frames the three ways in which participants who bear business risk are able to benefit from the business. Firstly, through ownership interests. These may involve direct asset ownership as sole trader, partnership entitlement rights, or share ownership in a company. Secondly through employment rights as employees, that may be linked to future ownership interests as part of a family firm succession plan. Thirdly, through discretionary entitlements if the business is operated using a trust or through a business structure that incorporates a trust.
- Dictates the formality with which business decisions ought to be taken, and in some cases, the timing of these to be income tax effective.
- Limits the extent to which firm participants who bear business risk are able to merge their personal finances with firm finances on the one hand, or necessitates a merging of the two on the other hand to collateralise firm debt with personal assets or to self-fund working capital.
- Determines the legal nature of family member entitlements to cash generated by a family firm to fund their personal expenses, how these are recorded for accounting and income tax purposes, and their personal liability for firm debt.
- Drives the taxation of economic business benefits, the availability of after-tax cash flow to fund working capital, springboard business growth and innovation, and to meet the personal financial needs of participants.
- Provides the platform for new capital investments, and facilitates firm succession.

It is undeniable that these aspects sit at the core of each firm's operations. But, the interrelationship between the factors are complex and difficult to understand without some legal background or training. Firm participants face significant challenges to take advantage of any particular business structure over the long term due to ongoing regulatory and income tax law changes in the small firm and small family firm sphere.⁶ Determining the cash flow implications of business restructure from one legal form to another is equally complex.⁷ Navigating the vastly different accounting rules and income tax models that apply to different business structures is likewise challenging. Keeping up to date with regulatory and tax changes takes time. Seeking professional advice costs money. Participants in small firms and small family firms can ill afford either.

The purpose of this study is therefore to investigate the differences between business structures, participants' practical access to business-generated cash, and the way capital is raised and existing ownership transferred in the context of small firms and small family firms in Australia. The study focuses particularly on cash flow as the life-blood of small firms, and on the position of participants who bear business risk, or will bear business risk in the future through family firm succession plans.

The study is timely due to:⁸

- The lack of integrated research into small firms and small family firms in Australia.
- The importance of small firms and small family firms to the Australian economy.
- Significant recent changes and proposed changes to income tax legislation and tax policy for small firms and small family firms, driven largely by contemporary Australian politics.
- The importance of business success and continuity in family farming in remote and rural areas of Australia to sustain rural economies.
- The lack of research about the differences between family firms and other firms, and the policy implications of these differences.

'Small businesses are key to sustaining and generating jobs in regional economies. Regions with many small businesses are more likely to grow than those with a few large businesses. Understanding how regions create and support resilient business ecosystems are therefore key to their social and economic prosperity. Research into the barriers and enablers of small businesses can help to support business owners, but importantly, can provide the information needed for evidence based policies for regions.'

- Prof Martie-Louise Verreyne

Diamantina River at Birdsville



Why is small business research in the RAPAD-region relevant?

The economy of the RAPAD-region is almost entirely focused on small firms. In reference to current income tax legislation, one definition for a 'small business entity' is that it has an annual turnover below \$10 million.⁹ In the RAPAD-region, nearly *all* businesses have a turnover of less than \$10 million – Table 2.¹⁰

Table 2: RAPAD-region total number of businesses by turnover

Turnover →	Zero to < \$50k	\$50k to < \$200k	\$200k to < \$2m	\$2m to < \$5m	\$5m to < \$10m	\$10m or more	Total
Longreach	153	216	219	22	5	0	615
Barcoo	17	19	26	3	0	0	65
Blackall-Tambo	80	121	139	13	0	0	353
Boulia	3	3	19	0	0	0	25
Barcaldine	108	149	233	25	5	3	523
Diamantina	3	4	15	3	0	0	25
Winton	57	72	98	15	0	0	242
Total	421	584	749	81	10	3	1 848

The RAPAD-region is agriculturally dependent.¹¹ Data also show that 99 per cent of farm businesses are family owned and operated.¹² The economy of the RAPAD-region is thus well-suited to study small family firm characteristics and behaviour compared to other small firms, and the impact of related policy development on family farming. Farming is historically important to Australia. Whether it is due to the fact that Australia's economy and history was 'built on the sheep's back', or because family farms remain the dominant form of farm organisation across Australia (as is the case across the economically developed world), there is more academic literature available on what constitutes a family firm in a farming context than in any other sector.¹³

It is only in respect of farming, that reliable country data is available about the preference for any particular business structure used to conduct a family business, allowing for meaningful comparisons to farming firms in the RAPAD-region. Australian Bureau of Agricultural Resource Economics and Sciences ('ABARES') data suggest that partnership structures are dominant in family farming, sole traders make up roughly 20 per cent of family farms, and trusts and corporate structures are used to a lesser extent.¹⁴

The RAPAD-region is also well suited to study small firm and small family firm behaviour using a cash flow perspective due to the fact that the RAPAD-region is suffering the worst droughts in the history of white settlement in Central West Queensland, leading to significant destocking and high stock feed costs. The impact of the prolonged drought in the RAPAD-region is not limited to agribusiness.¹⁵ Town businesses have suffered reduced turnover and profitability, and population numbers have decreased dramatically. The cash drought of farming firms has thus spilt over into the rest of the RAPAD-region's business sector.¹⁶

The impact of unprecedented flooding in February 2019 across the north of the Winton shire will add to this dynamic. Having fewer people in the RAPAD-region is a community problem that takes a toll on the sustainable development of the region. Outmigration reduces spending in the local economy, reduces employment, depletes social resources, and causes a generational shift to an older population.¹⁷ The outcomes of this project will help small firms to optimise their cash flow, which in turn holds benefits for the Central West Queensland region.

In this regard, the project is also aligned with federal government perspectives that strategies to retain families on farms must include establishing career paths that are financially sustainable for family firm participants to support strong and vibrant regional communities.¹⁸

The dominance of family farming across the agriculture sector means that firm succession may be studied more closely in the RAPAD-region. Studies have shown that family firm succession is negatively impacted by poor financial returns, especially as a result of drought conditions, which also has the knock on effect of increasing debt levels in firms.¹⁹ In reference to the broader research question of the business structures most suited to conduct small firm and small family firm business, it is common for farm succession plans to be built around discretionary trusts. Discretionary trusts are also an attractive vehicle to minimise income tax across a family.²⁰ The wide adoption of discretionary trusts as a business structure more generally, stands in stark contrast to significant concerns that trust law is not well understood by business owners and that legal questions may arise if the trust is not administered according to trust law and the trust deed.²¹

Reflecting again on the agriculture dependence of the RAPAD-region, farmers are generally reluctant to seek professional advice.²² Under severe drought conditions, farming firms often do not have the cash available to pay for professional advice even if they were to overcome the barriers to access advice.²³ It may be that small firm participants find themselves in a similar position. Across the RAPAD region, the stark reality is that 40 per cent of small business owners do not take a wage,²⁴ and an increasing number of farm families rely on the Farm Household Allowance to afford the necessities of life.²⁵ An ever-increasing number of farming firms and small businesses therefore have 'no viable alternative sources of impartial support',²⁶ and no viable alternative sources of financial advice and information, except to turn to the free services provided by federally and state funded rural financial counsellors,²⁷ This project seeks to make a meaningful contribution to the services provided by RFCSNQ. Working together with RAPAD, the project will build capacity and specialisation, and showcase and disseminate the best-practice used by RFCSNQ.

'Small businesses, whether agricultural in nature, or town based, are the life blood of rural communities. At a time of significant natural disasters such as we are experiencing now, never has the need for support for these businesses, and our communities, been greater. This research being undertaken by Dr Thea Voogt has come at an opportune time. What we learn from Thea's work will be instrumental in supporting the individual client and whole communities, through the work we undertake through Rural Financial Counselling Service North Qld and RAPAD.'

– Mr David Arnold, RAPAD CEO

The TC Beirne School of Law project team acknowledges the generous in-kind support of office space, internet access and accommodation facilities, provided by the partners of Ringrose Button Chartered Accountants in Longreach.

www.rbca.com.au

Ringrose Button
chartered accountants

Who are the researchers?

Dr Thea Voogt is a chartered accountant and chief investigator on the project. She holds a doctorate in financial management and a Master's degree in International Commercial Law from The University of Queensland. She brings significant business experience to the team, gained from three extended breaks in her academic career as CEO (Principal Officer) of large superannuation and disability funds, as tender and contracts manager, and as institutional risk manager. Dr Voogt specialises in income tax law and corporate governance. Her integrated business experience, knowledge of the taxation of business income and of the law of trusts and corporations law, and her commitment to being present in the RAPAD-region to conduct the Pilot Study is key to the project.

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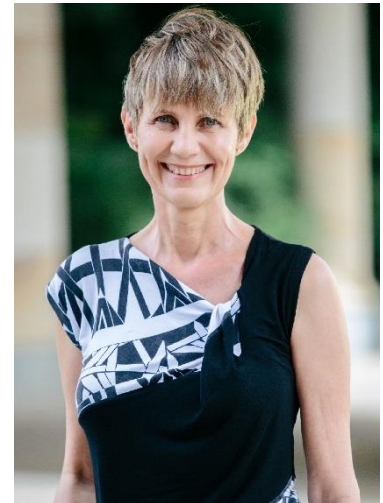
🔗 <https://researchers.uq.edu.au/researcher/12003>

<https://www.linkedin.com/in/thea-voogt-ca-d-com-61363169/>



Prof Martie-Louise Verreyne is a world leader in her field of small firm strategy, innovation and resilience. Martie-Louise is currently the Deputy Dean of the UQ Business School. She is an experienced research project manager and data analyst, and currently holds two ARC grants. She has also completed three other Category 1 grants focused on agricultural firms. She is a regular contributor to leading entrepreneurship, strategy and interdisciplinary journals. She has also published in all three main small business journals, and serves as Associate Editor to the Journal of Small Business Management. She actively works with industry to create research impact and has received several awards in recognition of this work. Her significant expertise in business strategy and innovation is key to the project, as is her significant experience in developing web-based research instruments.

🔗 <https://researchers.uq.edu.au/researcher/1685>



Prof Grantham holds the degrees of Bachelor of Civil Law from Oxford University, and Master of Laws (Honours) from Auckland University and LLD from UQ. Prof Grantham is a leading private law scholar with significant court citations in the United Kingdom, Australia and New Zealand. His significant academic contributions extend to corporations, trusts, property law, and corporate governance, and regulatory theory. Prof Grantham's insights into trust law and his strong commentary on the negative impact that the proceduralisation of Australian corporations law has on business is key to the project's focus on the small firm regulatory environment.

🔗 <https://researchers.uq.edu.au/researcher/1421>



Protecting participants' privacy and confidentiality

This study adheres to the Guidelines of the ethical review process of The University of Queensland and the National Statement on Ethical Conduct in Human Research.



Institutional Human Research Ethics Approval Number: **2019000030** [Duration to 28/2/2024].

The Pilot Study will involve interviews, case studies, document analysis and observation.

- Participation in the Pilot Study is **voluntary**
- Every potential participant will receive an **easy-to-understand information sheet**
- Every participant will **sign a consent form** before they participate
- Every participant **can withdraw** at any time before data analysis starts
- Participants and their businesses **will not be identified in any publications**, unless they give their express permission to be identified
- The project **will not collect personal data**, except age, gender, position in a firm and business-education background
- Every participant will get a copy of the findings report
- Every participant can **contact the chief investigator** at any time
- **Data will be de-identified**, summarised, combined, analysed and aggregated
- The privacy of **RFCSNQ clients is already legally protected** by a client confidentiality agreement
- The **project team is not allowed to share its data** with anyone, only its aggregated findings.

Who can take part in the Pilot Study?

The Pilot Study is focused on small firms with a turnover of less than \$10 million per year. These firms can be owner-operated as a sole trader business, or as a partnership. They may also be registered as companies, or involve a family trust.

Invitations to participate in the Pilot Study will be advertised and communicated through RAPAD and the RFCSNQ.

The project team **values and respects the trust** that exists between community members and RAPAD and RFCSNQ. The project team is legally bound to protect the confidentiality and privacy of all participants.

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- ¹ Rob Chandler, *RAPAD Chairman's 2017 Annual Report*, 4.
- ² KPMG, Submission to the Board of Taxation, *Second Discussion Paper: Board of Taxation Post-Implementation Review of Division 7A of Part III of the Income Tax Assessment Act 1936*, 9 May 2014, 3; KPMG, *Family Business Survey 2018: Family Business – The Balance for Success* (KPMG, Family Business Australia and The University of Adelaide, May 2018) 3; Commonwealth, *Small Business Counts – Small Business in the Australian Economy* (Australian Small Business and Family Enterprise Ombudsman, Report, 2016) 34.
- ³ National Farmers' Federation, Submission to the Senate Select Committee on Lending to Primary Production Customers (July 2017) 4.
- ⁴ See, eg, Parliamentary Joint Committee on Corporations and Financial Services, *Family Businesses in Australia – Different and Significant: Why They Shouldn't be Overlooked* (March 2013) 1, 2, 15, 17, 23–7; Commonwealth, *Budget 2018–19: Budget Overview* (8 May 2018) 4; Commonwealth, *Re:think Better Tax System, Better Australia* (Treasury, Tax Discussion Paper, March 2015) 105–20; Commonwealth, *Budget: Budget Strategy and Outlook*, Budget Paper No. 1 (10 May 2011) 1–31; Australian Liberal Party, *Backing Small Business* (Issue No 2, 2018) <<https://www.liberal.org.au/our-plan/small-business>>.
- ⁵ See, eg, Nickolas James, *Business Law* (Wiley, 3rd ed, 2014) 503–4.
- ⁶ See, eg, Commonwealth, *Review of Small Business Tax Concessions* (The Board of Taxation, Consultation Guide, May 2018) 10.
- ⁷ See, eg, ALP, *A Fairer Tax System: Discretionary Trusts Reform* (30 July 2017) 1, 2; Commonwealth, *Review of Small Business Tax Concessions* (The Board of Taxation, Consultation Guide, May 2018) 9, 10, 12; Commonwealth, *Taxation of Discretionary Trusts: A Report to the Treasurer and the Minister for Revenue and Assistant Treasurer* (The Board of Taxation, November 2002) 6; Productivity Commission, *Business Set-up, transfer and Closure* (Productivity Commission Inquiry Report, No. 75, 30 September 2015) 84.
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