

## Interview with Michael Kersch, Partner, Accru Felsers, Sydney



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### As part of a network of Chartered Accountants, what is the focus of Accru Felsers in Australia?

Accru Felsers is the Sydney member of a network of accounting firms with offices in all capital cities of Australia. A key focus of our firm is to assist overseas businesses to establish in Australia and meet their on-going accounting, tax, audit and financial reporting obligations.

We supply all the accounting services one would expect like bookkeeping, tax return preparation, tax advice, audit and financial planning. Where we differentiate ourselves is that a large proportion of our corporate clients have overseas affiliations, especially with the German-speaking countries of Europe. This is largely because our founder in 1941 was an Austrian, we have had a long association with the German Chamber of Commerce and the Austrian Trade Office, and because I am of German origin and have experience working both in Germany and Australia.

### How long have you been with Accru Felsers and what is your role?

After seven years with a large international accounting firm I joined Accru Felsers in 1983.

I am in charge of the Audit Division and oversee reviews and audits of Australian subsidiaries requested by overseas parent companies or required by the Australian Securities Commission. I also act as liaison partner for our German-speaking clients which inevitably involves me in issues such as business establishment, aspects of GST and other tax registrations, statutory reporting and tax advice on permanent establishments and various business structures. We also

assist overseas clients when they purchase Australian businesses or widen their distribution network and provide advice to expat managers on salary packaging.

### With vast experience in industries such as manufacturing, construction, retail, import and distribution, Accru Felsers is now also offering advice on renewable energy projects and other non-traditional areas. Can you elaborate on this?

We have several German clients in the solar and wind energy sectors. We have assisted them with high level tax advice so that they can develop their projects and also avoid the potentially drastic consequences of the Australian income tax and capital gains tax regimes. There is certainly an increased trend by German companies to invest in the area of sustainable development and renewable energy.

Some other non-traditional areas where our German and Austrian clients have carved out niches in Australia include specialty software, navigation systems, food products, architectural services and jewellery.

### From your experience what are the common mistakes when German businesses come to Australia?

Most but not all German businesses that come here are successful. Before committing resources, there should be a detailed market study identifying the size and location of the market, potential customers, agents, distributors and competitors.

The selection of key management, marketing and product personnel is vital. Proper background checks are essential as are clear and tax-effective service contracts. Remuneration should contain an appropriate mix of incentives directed towards both sales and profit. I have seen some disasters where unsuited persons were employed based on cursory meetings at trade fairs; or where there was an over-reliance on someone's ability to speak German but that person had an inadequate knowledge of the Australian market.

For commercial and tax reasons it is necessary to choose the correct business structure given the market and level of planned activity. Will the parent entity act as the importer and clear the goods? Will there be an agent, distributor, branch or subsidiary? Will they tender for projects in Australia? Switching between business models can be disruptive and expensive with lost GST credits, lost tax losses, more administration and tax expenses; and time delays with lost



opportunities.

Finally it is crucial that there is a proper communication and monitoring system in place so that the parent and local entities can set and meet achievable objectives. We constantly help our clients in this regard, be it with monthly reporting, or with annual reviews or audits.

### How has the audit profession changed in the past decade?

Due to large corporate failures such as Enron and HIH, the audit profession has become more prescriptive. The auditor's discretion has largely been supplanted with prescribed procedures backed up by force-of-law standards. These audit procedures must be documented and this has put upward pressure on audit fees. It has become crucial for the auditor to understand the businesses he is auditing - hence our specialization in Australian subsidiaries/branches of overseas businesses.

### The global financial crisis (GFC) has radically changed the world. What kind of developments do you see ahead?

The GFC has not impacted Australia as severely as Europe. Australia had no banking crisis and its mining exports have been buoyed by China, India and Asia. The GFC has had a mixed impact on our clients with retail, in-bound tourism and domestic construction hit hard due to loss of consumer confidence and an appreciating AUD. On the other hand, some of our clients in service industries and those that supply the mining industry are doing very well.

Major future reforms announced by the Australian government in the taxation, superannuation, renewable energy and carbon reduction areas are likely to have significant impact on business and investment decisions. These reforms are still in the review stage and we will be monitoring their development and potential impact closely.