

AFAANZ 2021-2022 Round 1 – Final Grant Report

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<p>(2) Project Title</p>	<p><i>Enhancing blockchain literacy across the public accounting and taxation advisory services industry.</i></p>
<p>(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application</p>	<p>This study responds to prior calls to examine the level of technological understanding and skill sets needed by practitioners to serve clients who make use of blockchain technology. Part 1 included semi-structured interviews examining (i) the variety and pervasiveness of blockchain activities; (ii) issues/actions practitioners are facing providing services to clients undertaking blockchain-related activities, and (iii) technical skills/knowledge practitioners are requiring. In Part 2, a survey instrument was developed from findings established in Part 1 to further explore themes across crypto-economic activities, regulatory framework, and the <i>Tax Agent Services Act 2009</i> (Cth) code of conduct ('TASA Code') (focusing on code items related to practitioner skills and competencies, applying the law and acting lawfully and ascertaining client's affairs). Findings were also extended with document analysis of relevant regulatory materials (such as tax rulings and Government reports).</p> <p>This study contributes new insights on the influence, issues, and impact of blockchain related activities on tax practitioners, including the extent of pervasiveness of blockchain-related activities on tax practice, the regulatory issues being experienced in relation to those activities and the technical skills and knowledge required by tax practitioners to appropriately attend to client activities. In doing so, this study addresses concerns associated with blockchain-related literacy in the field by identifying the educational needs (both technical and theoretical) of accounting and taxation practitioners in the business and advisory services</p>

	<p>industry. Findings have key implications for tax reform, particularly relevant given the Board of Taxation’s review into digital assets and transactions.</p> <p>Key variations:</p> <ol style="list-style-type: none"> (1) Narrowing of exploratory research focus: Whilst we originally proposed to include clients within the interview phase and distinguish between practitioners/managers, we limited the scope to practitioners. This narrowing flows from findings established in Part 1 and appropriately captures the overarching aims relating to technical skill and knowledge requirements. (2) Due to the significant impacts of the covid-19 pandemic in the second half of 2021, we reduced the number of interviewees in Part 1. Nevertheless, robust findings allowed us to appropriately progress the research. (3) Due to the emerging nature of blockchain technology, unknown statistics on tax practitioners with clients that undertake blockchain-related activities, as well as the continued impacts of the covid-19 pandemic on response rates (as seen in Devos et al., 2022) we anticipated a lower response rate compared with prior research involving tax practitioners. In response, we expanded the approach to disseminate the survey instrument and the survey distribution period was extended to ensure adequate responses were received. This approach was successful, with 281 responses received. This pushed out the end date of part 2 of this research project. (4) Due to the timing of (a) the Final Report of the Senate Select Committee on Australia as a Technology and Financial Centre in October (2021), (b) the Government response thereafter and (c) the Board of Taxation’s Review on the Tax Treatment of Digital Assets and Transactions in Australia (2022); outcomes and reconciliation to policy debate (document analysis) became increasingly central to the project’s objectives and contributions. 											
(4) Funds Granted	\$6,131											
(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained	<table border="1" data-bbox="450 1078 1951 1369"> <thead> <tr> <th data-bbox="450 1078 723 1114">Item</th> <th data-bbox="723 1078 1509 1114">Justification/Detail</th> <th data-bbox="1509 1078 1727 1114">Budgeted</th> <th data-bbox="1727 1078 1951 1114">Actual</th> </tr> </thead> <tbody> <tr> <td data-bbox="450 1114 723 1369">Transcription of Interview Data</td> <td data-bbox="723 1114 1509 1369">We conducted 12 interviews, which is lower than budgeted. As above, the interview phase was impacted by the covid-19 pandemic. The budget catered for the upper limit of interviews estimated to be carried out, both in terms of number and length. Budget was subsequently reallocated to the Research Assistant role. All interviews were conducted online via Teams.</td> <td data-bbox="1509 1114 1727 1369">\$4,305.00</td> <td data-bbox="1727 1114 1951 1369">\$915.09</td> </tr> </tbody> </table>				Item	Justification/Detail	Budgeted	Actual	Transcription of Interview Data	We conducted 12 interviews, which is lower than budgeted. As above, the interview phase was impacted by the covid-19 pandemic. The budget catered for the upper limit of interviews estimated to be carried out, both in terms of number and length. Budget was subsequently reallocated to the Research Assistant role. All interviews were conducted online via Teams.	\$4,305.00	\$915.09
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	<p>Research Assistant</p>	<p>Research support, qualitative and quantitative analysis, survey construction, recruitment support.</p> <p>Activities completed and paid: Part 1: Qualitative interview data analysis: 20 hours Part 2: Yellow Pages search and collation: 5 hours Total RA hours paid: 25 hours</p> <p>Activities pending timesheet processing: Part 2: Yellow Pages search and collation: 5 hours Quantitative data preparation and cleaning: 7 hours Total RA hours pending payment: 12 hours</p> <p>RMIT rates from June 2022: Research \$68.16 + 17.98% on costs</p> <p>Activities in progress, to be completed by end of year: Part 2: Survey data analysis: 15 hours</p> <p>RMIT rates from June 2022: Research \$68.16 + 17.98% on costs</p>	<p>\$1,826.00</p>	<p>\$1,377.51</p> <p>\$964.98</p> <p>\$1,206.23</p>	
Total			\$6,131.00	\$4,463.81*	
	<p>*The remainder of the funds will be used for further data analysis and editing costs before journal submission.</p>				

(6) Outcomes, for example, working papers, presentations and publications (give full details, including abstracts)

(a) Conference presentations:

Morton, E., Vesty, G., Nguyen, L., Devos, K. (2022, July) The Crypto-Economy and Tax Practitioner Competencies: An Australian Exploratory Study (PART 1). QLD Tax Researchers Symposium, Brisbane (Morton, E. Presenter).

Morton, E., Vesty, G., Nguyen, L., Devos, K. (2022, July) The Crypto-Economy and Tax Practitioner Competencies: An Australian Exploratory Study (PART 1). AFAANZ Accounting Education SIG 5, Melbourne (Devos, K. Presenter).

Abstract:

As the world progresses towards increased digitalisation, we need to continually reflect on the lag between digital transformation and complex regulations. This study responds to prior calls to examine the level of technological understanding and skill sets needed by practitioners to serve clients who make use of blockchain technology. As such, this study fosters a greater understanding of the skills and knowledge requirements of tax practitioners, which are not well articulated in the academic or professional literature. We seek to better understand how tax practitioners are responding to this digital technology when providing blockchain-related tax advisory services to clients, particularly in being able to comply with codes of professional conduct such as the *Tax Agent Services Act 2009* (Cth) Code of Professional Conduct.

This study is an exploratory field study. Semi-structured interviews are carried out to examine the state of play across a cohort of Australian accounting and tax practitioners. The qualitative interview data provides insights into the variety of blockchain related activities that are becoming pervasive across Australia as well as providing a foundational understanding of issues practitioners are faced with when providing advisory services to clients involved in blockchain. The qualitative findings are further extended with document analysis, where we examine relevant regulatory materials (such as tax rulings and Government reports) for emerging blockchain-related implications.

We re-affirm that there is lack of clear, specific guidance with respect to the broad activities being carried out by clients which makes tax compliance challenging. Whilst practitioners are required to learn how to apply existing tax laws to evolving activities, practitioners often lack knowledge and skills in blockchain. There is a real risk to practitioners' compliance with the TASA code, whilst juggling the imperfect ATO data matching programs that tend to encourage clients to come forward. Critically, there can be a knowledge and/or skills imbalance, in that clients may be experts in blockchain and practitioners in taxation, however the two can be difficult to reconcile. This increases when the clients may not necessarily be forthright, creating difficult decisions for tax practitioners as to whether to continue to engage the client in their services.

	<p>This exploratory study contributes new insights on the influence, issues and impact of blockchain related activities on tax practitioners, including the extent of pervasiveness of blockchain-related activities on tax practice, the regulatory issues being experienced in relation to those activities and the technical skills and knowledge required by tax practitioners to appropriately attend to client activities. In doing so, this study addresses concerns associated with blockchain-related literacy in the field by identifying the educational needs (both technical and theoretical) of accounting and taxation practitioners in the business and advisory services industry.</p> <p>(b) Industry presentations:</p> <p>Morton, E. (2022, August) Crypto & Blockchain Competencies for Tax Practitioners. IPA 2022 Cryptocurrency Hybrid Conference, Melbourne. (No Abstract).</p> <p>Morton, E. (2022, August) Crypto & Blockchain Competencies for Tax Practitioners. Digital Playhouse, Online. (No Abstract).</p>
<p>(7) Future Intentions for this Project (give full details)</p> <p>a. Conference submissions</p> <p>b. Journal submissions</p> <p>c. Grant applications</p> <p>d. Projects</p>	<p>(a) Conference submissions (accepted/planned):</p> <p>Morton, E., Vesty, G., Nguyen, L., Devos, K. (2023, January, <i>accepted</i>) The Crypto-Economy and Tax Practitioner Competencies: An Australian Exploratory Study (PART 2). ATTA, Brisbane (Morton, E. Presenter).</p> <p>Morton, E., Vesty, G., Nguyen, L., Devos, K. (2023, July, <i>planned</i>) The Crypto-Economy and Tax Practitioner Competencies: An Australian Exploratory Study (PART 2). AFAANZ Annual Conference/SIG. (Morton, E. Presenter).</p> <p>(b) Journal submissions:</p> <p>We intend to submit the initial working paper to a highly ranked journal (A/A*) in the first quarter of 2023 following the Board of Taxation’s release of their report on the Tax Treatment of Digital Assets and Transactions (due end of 2022) and feedback following the ATTA conference in January 2023. Target journals under consideration include the <i>Australian Tax Forum</i>, <i>Australian Tax Review</i>, <i>eJournal of Tax Research</i> or the <i>New Zealand Journal of Taxation Law and Policy</i>.</p>
<p>(8) Summary of Outcomes and Benefits</p>	<p>This is the first known project to investigate blockchain-related implications for accounting and tax practitioners. This study benefits academia, practice and regulators. This exploratory study offers a comprehensive overview of issues, challenges and skills requirements for practitioners with respect to having clients undertake blockchain-related activities. This study fosters specific blockchain skills and knowledge requirements which are not well articulated in the academic or professional literature (Schmitz and</p>

Leoni, 2019) through the production of new insights. This study attends to the fundamental need to better understand how practices and practitioners are responding to blockchain technology, both in terms of the issues practitioners and clients are facing as well as the impact on the behavioural and social outcomes between client-practitioner.

- The crypto-economy and client base
- The complexities in tax treatment for blockchain related activities
- The regulatory framework
- Tax practitioner skills and competencies
- Applying the law
- Acting lawfully and ascertaining client's affairs

This study therefore has implications for the necessary skills and roles for professional practitioners in a digital economy, particularly with respect to codes of professional conduct such as the TASA Code for tax practitioners.

The findings of this research contribute to tax reform. Relevantly, findings have informed the Board of Taxation's Review of the Tax Treatment of Digital Assets and Transactions underway in 2022, with the working paper being cited in a number of submissions.