

16 April 2021

Matthew Sedgwick
Data Economy Unit
Market Conduct Division
The Treasury

By email: regmod@treasury.gov.au

Dear Matthew

Modernising Business Registers (MBR) Program – Transitional Application Periods

CPA Australia represents the diverse interests of more than 168,000 members working in over 100 countries and regions supported by 19 offices around the world. We make this submission on behalf of our members and in the broader public interest.

The Treasury's Modernising Business Registers (MBR) Program **consultation** on the transitional application periods for existing and new directors under the *Corporations Act 2001 (the Act)* and the *Corporations (Aboriginal and Torres Strait Islander) Act 2006 (the CATSI Act)* proposes extended periods for directors to apply for a Director Identification Number (**Director ID**).

Collectively, the instruments¹ provide for registrations until 30 November 2022 under the Act, and 30 November 2023 under the CATSI Act, for existing directors and those becoming new directors before 1 November 2021. The commencement date will be the day the instrument is registered.

We welcome the extended dates offered under the transitional rules following concerns raised by the accounting profession on the potential burdensome workloads and registration difficulties if additional time was not provided.

As explained in paragraphs 11 to 15 of the Explanatory Statement to *the Corporations (Transitional) Director Identification Number Extended Application Period 2021 Exposure Draft*, the transitional application periods are required so as not to disadvantage existing and new directors while the Registrar develops and tests the new Director ID system.

The transitional application period also provides directors and their registered agents with a more reasonable timeframe in which to apply for a Director ID. This will reduce the level of disruption and allows for awareness and education activities, as well as time to deal with the practical challenges sometimes associated with identity verification processes. We continue to emphasise the potential for delays in the identity verification process (e.g. obtaining a myGovID or alternative process) to then impact the ability for directors to apply for a Director ID by the required date.

We note that the transitional application period for new directors only applies to those who become directors up until 31 October 2021 as the Registrar expects that the system testing will be complete by that date. The Minister, Treasury and Registrar should closely monitor the progress of system testing to ensure that the chosen end date of 31 October 2021 remains appropriate and should be prepared to extend the period further if required.

Individuals who are appointed as directors between 1 November 2021 and 12 months from the legislation commencing must have a Director ID within 28 days of being appointed, while those being appointed 12 months after the legislation commences will be required to have or have applied for a Director ID upon their appointment.

¹ These being:

- *Corporations (Director Identification Numbers—Transitional Application Period) Instrument 2021 Exposure Draft* and Explanatory Statement
- *Corporations (Transitional) Director Identification Number Extended Application Period 2021 Exposure Draft* and Explanatory Statement
- *Corporations (Aboriginal and Torres Strait Islander) (Transitional) Director Identification Number Extended Application Period 2021 Exposure Draft* and Explanatory Statement

Table 1: Summary table of dates by which Director ID must be applied for or held under the Corporations Act based on appointment date under the transitional rules

Appointment date	Date by which Director ID must be held (<i>Corporations Act</i>)	Example scenario
Existing directors	30 November 2022	
New directors appointed between legislation commencement date and 31 October 2021	30 November 2022	An individual is appointed as director on 31 October 2021. As this is inside the testing period, he/she must have their Director ID by 30 November 2022.
New directors appointed from 1 November 2021 and within 12 months of legislation commencement date	28 days to apply for a Director ID following appointment	An individual is appointed as director on 1 November 2021. As this is outside the testing period, he/she must have applied for their Director ID by 28 November 2021.
New directors appointed after 12 months of legislation commencement date	Director ID required prior to appointment. The Registrar also has the discretion to extend the period to apply.	An individual is appointed as director on 5 June 2022. As this is more than 12 months after the legislation commencement date*, he/she must already have their Director ID (i.e. before 5 June 2022). <i>*assumes a legislation commencement date some time before June 2021</i>

Other comments

As stated in our previous [submission](#) on the data standards and disclosure framework, the MBR Program is a complex undertaking. The Registrar should be appropriately resourced and supported to ensure that implementation occurs with minimal costs and disruptions. This includes the necessary investment in technology and systems to prevent failures or excessive maintenance time, as well as sufficient notification and staggering of deadlines to avoid disruptive workloads.

The staggered timeframes introduced by the transitional application periods (as shown in Table 2 of the Consultation) may create some confusion. Clear messaging to registered agents and directors is required to ensure that the requisite dates are met, particularly for directors appointed after the testing period. The Registrar should also be very reasonable when using the discretion given under section 1272E of the Act to allow more time for directors to apply for a Director ID.

If you have any queries about this submission, contact Elinor Kasapidis, Senior Manager Tax Policy, at CPA Australia on 0466 675 194 or elinor.kasapidis@cpaaustralia.com.au.

Yours sincerely,



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