

# Industry insight

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Australian Financial Review (AFR)

Thursday 17th November 2022

781 words

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385cm on the page



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**I**t's gratifying to see that the Australian business community - in particular its 2.5 million company directors - take seriously the trust that the nation has placed in them.

Since being implemented in April last year, more than 1.3 million directors have applied for (and have been issued with) a director identification number (director ID).

A director ID is a unique 15-digit identifier given to a director who has verified their identity with the ATO.

You must apply if you are a director of a company, corporate trustee of an SMSF, charity or not-for-profit organisation that is a company or a corporation registered under the Corporations (Aboriginal and Torres Strait Islander) Act.

The requirement also applies to directors of foreign companies registered with ASIC and carrying on business in Australia (regardless of the director's place of residence).

It's compulsory and penalties may apply for not registering for a director ID.

The director ID will help prevent the use of false or fraudulent director identities because it's an identifier that each director will keep forever, even if they change companies, stop being a director, change their name, or move interstate or overseas.

It is the first step in an overhaul of the nation's business registration regime,

which will modernise this vital area of the economy, bringing over 30 different business registers under the remit of the Australian Business Registry Services, which is a part of the ATO.

It will allow regulators and advisors to obtain a more complete picture of a director's corporate history and every company of which that director has been a part.

It will also help authorities crack down on the phenomenon of illegal phoenix firms.

These are companies that time and time again wind up their firms leaving employees without salary, entitlements and superannuation as well as leaving contractors, other businesses and government in the lurch.

The total cost of phoenixing to the Australian economy is estimated to be between \$2.9 billion and \$5.1 billion annually.

The ATO acknowledges that the vast majority of company directors behave with extreme probity which is consonant with the trust the Australian community places in them.

We only have to see how our business leadership behaved during COVID - from our largest firms to our smallest.

Our banks acted quickly to suspend mortgage payments and keep people in their homes during the crisis - doing all this while moving their own operations to a work-from-home footing.

Our small and medium enterprises - the backbone of the nation's economy - kept their people employed and on the payroll, making use of JobKeeper to provide their workforce with the essentials of life.

Meanwhile, the move has been hailed by our business leaders - the nation's peak director body, the Australian Institute of Company Directors (AICD) and our leading professional accounting

body, Chartered Accountants Australia and New Zealand (CA ANZ).

CA ANZ, which counts over 130,000 finance professionals as its members, says the ID will help hold directors personally responsible for their actions, acknowledging that phoenix activity "causes immense harm" to all parties left behind when a company is liquidated without paying its debts.

The AICD meanwhile has urged its 45,000 members to sign up as quickly as possible before the November 30 deadline, adding that the director ID will protect the community from phoenix

activity and help fight cybercrime.

Among the 1.3 million directors who have received their IDs are nearly 400,000 directors of corporate trustees of self-managed super funds (SMSFs) - representing over half of the nation's nearly 700,000 directors of SMSF corporate trustees.

Once again, it's gratifying that these people, who are company directors by virtue of the SMSF company structure, take so sedulously their role as guardians of a slice of the nation's nearly \$900 million self-managed retirement nest egg.

Not all directors have been so quick to sign up to the director ID, however.

It would be remiss of Australian Business Registry Services to not call out a few sectors - property and construction, courier and postal and warehousing - as areas where we'd like to see higher levels of engagement.

Whether it be a charity, a small business run through a company structure or a large listed company, directors hold a critical role in the functioning of our economy and community.

I urge all directors to register for a director ID before the November 30 deadline.





Deputy Registrar, Australian  
Business Registry Services

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