



# The business of shirking

Is the accountancy profession genuinely interested in solving its compliance problems, or is it passively preserving the problem to which it is the solution?

**Do** you provide solutions or perpetuate problems? Naturally, most of us like to think we provide solutions rather than creating ongoing problems. Yet dig deeper and some organisations and the people working in them epitomise what is known as the Shirky Principle: *Institutions will try to preserve the problem to which they are the solution.*

This principle is named after Clay Shirky, an American who writes, teaches and consults on the social and economic effects of internet technologies and in particular on the collapse of traditional business models and the creation of new opportunities.

Consider weapons manufacturers. It's in their interest to encourage conflict and create more demand for weapons from both sides. They are not at all interested in solving conflicts because if they did their business would disappear.

Another more contentious example is the health system, which is largely focused on addressing specific health problems rather than keeping people healthy in the first place. While the health industry is full of dedicated people working tirelessly to help sick people get healthier, its institutions are not set up to attack the root causes of many of our health problems – poor diet and lack of exercise. That would require a massive restructuring and refocusing of our whole health system.

What about the accountancy profession? Does it preserve the problem or problems to which it is a solution? Or does it try to eliminate the problem? Some events in recent months have brought this issue clearly into focus.

The core problem that most accountants in public practice address is compliance with ever more complex tax requirements. The profession does address other problems such as making decisions on incomplete or inaccurate information and helping business owners address the requirements of lenders, yet compliance remains the dominant business in most accountancy firms.

Is the accountancy profession genuinely interested in not just solving the problem of compliance but in reducing or even getting rid of compliance? Or does the profession really want the current system to continue and perhaps get even more complex?

The Shirky Principle would suggest the latter. That's why I was stunned when I first read the report on simplifying tax for small business prepared by the New Zealand Institute of Chartered Accountants and Tax Management New Zealand released late last year (see [www.smetax.co.nz](http://www.smetax.co.nz)). The report genuinely advocates tax simplification. It notes that the ideas presented in the report “may generate less tax compliance and related work for many of our tax practitioner members. However, this is a natural corollary of making life simpler.”

Since its launch the report has generated considerable feedback and comments are still being made. If you haven't read it yet, please do so and contribute to the discussion.

What is interesting is that comments made fall into two distinct camps – those in favour of the proposed simplification or related variations, and those against it because of the negative effect simplification would have on their business. Some of the people against the proposal are aghast that NZICA has encouraged ideas which, if implemented, may reduce their flow of traditional compliance.

Those people opposed to the proposal because of the impact on them personally have perhaps overlooked a small but vitally important section at the beginning of the report which notes: “a little known fact is that the Institute operates on a public interest mandate.

**Some of the people against the proposal to simplify tax for small business are aghast that NZICA has encouraged ideas which if implemented may reduce their flow of traditional compliance**

This means that when it develops accounting rules, or advises government or Parliament on tax matters, it looks to best practice and the best outcome for New Zealand as a whole, not just those of our members.”

In this case the public interest mandate nullifies the Shirky Principle. Yet the comments from some members show that it is still very much in place for them. Those people want to preserve the problem of tax complexity. Where do you sit on this vitally important issue? ■

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