Key Outcomes

Title:	PLS working group – key outcomes
Issue date:	23 July 2020
Venue:	WEBEX
Event date:	21 July 2020 **Start:** 1:00pm **Finish:** 2:00pm

Chair:	Sonia Lark	**Facilitator:**	Sonya Summers
Contact	Sonya Summers	**Contact phone:**	02 472 57383

Attendees: names/section	ATO – Sonia Lark, Sangitha Sivayogaraj, Danny Figueiredo, Ross Barns, Karen Greaves, Anupama Duggirala, Carl Bennett, Sophie Zeng, Ivar Kvistad, Stephen Dodshon. Industry – Naseem Khan (ADP), Jack Wee (Catsoft), Mike Denniss, (Class Super), Misha Ali, Simon Smart (Etax), Sandeep Gopalan (GovReports), Mike Behling, Danny Koutoulas, Scott Reid Michael Tong, Christinique Chapman, Christine Saava (MYOB), Kevin Johnson, (Reckon), Darin Carter (Sage), Charudatta More (Sparken), Karl Farrand (Taxlab), Krunal Patel, Shane Paxton, Paul Siriwidana, Krunal Patel, Linda Kerhoulas (Thomson Reuters), Danna Zhang (Wolters Kluwer), Andrew Sprankling, Kelvin Newton, Rosemary Missier (Xero).
Apologies: name/section	David Baker, Sha Sha (Class Super), Lex Edmonds (MicroTax), Andrew Smith, Trent Hayes (MYOB), Andrew Noble (Noble Accounting), Nathan Kerr (One-Click), Steven Ivanopoulos (Reckon), Saiful Larry, Michael Wright (Sage),Dillon Tsotsis, Lisa Kim, Robert Xie (Wolters Kluwer), Anthony Migliardi (Xero)

Next meeting	4 August 2020

Agenda item: 1 – Introduction

Sonia welcomed the group and advised that this week's DSP newsletter will be delayed due to additional content resulting from the latest JobKeeper announcement. Once the updated measure receives Royal Assent, we intend holding a webinar to communicate impacts to DSPs.

We are still seeking DSP feedback on the Collaboration Hub – please send any feedback through via Online Services for DSPs or email the DPO: DPO@ato.gov.au.

Agenda item: 2 – Action item updates

Updates were provided for outstanding action items. (see action items)

We are expecting to be able to provide a *draft* version of the IEH document for the group to review before the next meeting.

Ross Barns advised that we are still waiting on a formal response from Tax Technical re the need to mask fields such as dividends information via prefill (as discussed at the last meeting). At the moment a fix may not be progressed for 2020. 80% of SBR records are reflecting a null value at this field. As this is classified as a significant change to backend prefill change may not occur in the short term. A fix to the MST requires a change to the schema and is a significant change.

Action item: Provide details on whether masking the Dividend Reference field value will cease moving forward.

Update: We are currently working with our Tax Council Network and external data providers to review the requirement to mask the Dividend Reference field value. Given the field is not mandatory and that a number of DSP's and Tax Agents have implemented processes to remove the masked value prior to lodgement, a null value will be an acceptable outcome for this field for TT2020. Once we have advice from our legal representatives then we will look to implement and changes for TT2021.

Danny advised that NITR certification confirmations will be sent out via OS4Ds shortly.

Investigation on IITR lodgements which are coming through is still in progress. Results have been positive so far, however we will provide an update on certification at the next meeting.

Agenda item: 3 – Depreciation schedule

Stephen Dodshon spoke to the group about information Policy, Analysis & Legislation (PAL) is seeking on the support and tools provided in software products to help understand the costs of complying with depreciation rules.

In coming days account managers will be reaching out to ask DSPs some specific questions on how products support users applying depreciation rules and completing associated schedules.

Stephen is also available for one-on-one conversations if this is preferable.

Here are examples of the information Stephen is requesting:

1. Does your organisation offer depreciation schedule services (tax and accounting)? If so:
   a. How many different services are there? Is there a particular service for small businesses?
   b. Are you able to provide a brief summary of how a user enters depreciating assets into your software and determines the rate of depreciation for tax purposes? We would be particularly interested if you provide options to compare different depreciation methods when choosing which one to apply, and whether you integrate the ATO's effective life rates into your software.

2. Given changes in the Instant Asset Write Off (IAWO) in recent years, have you made any changes to your software to assist users in determining their eligibility for the IAWO (further than simply changing the threshold)? If so, could you briefly explain those changes from the user's perspective.

3. We are reflecting on the fairly well-accepted proposition that 'the more choices available in determining how to depreciate assets for tax, the higher the costs of compliance for businesses working out which one is best for them'. Do you think this should be reconsidered, given the role your software can play in automating/digitising the calculation of different methods and visualising the choice (rather than the time this would have taken were businesses/agents to manually calculate all different methods themselves without the benefit of your software)?

Agenda item: 4 – CbC reporting for SAP clients

Ivar Kvistad provided some guidance around country-by-country (CbC) reporting for substituted accounting period (SAP) clients.

It has been identified that an issue arises from the validation rules for early balancers.

Previous validation rules link the Significant Global Entity (SGE) at question 3 (G1) with the General Purpose Financial Statement (GPFS) at Q5 – so that you must answer Q5 if you select G1 (SGE)

This is correct under old law; but with new law, GPFS obligation applies to a subset of the SGE population – Country by country reporting entity (CbCRE).

That is those that select G2 will have a GPFS obligation and need to answer Q5.

However, the new law applies to income years commencing from 1 July 2019.

This means that old law applies to early balancers (eg 1 Jan 2019 to 31 Dec 2019) but stationary will not allow them to answer Q5.

As a result the CTR instructions will be updated online so that they say:

'If an entity is an SGE for an income year that commences earlier than 1 July <u>2019</u> i.e. an early balancer, it must answer item 5 in the Company tax return. To ensure that item 5 can be completed, the entity must also print X at G2 at item 3 Status of Company.'

<u>Note:</u> while the revised law applies to income years commencing 1 July <u>2019</u> – it's worth noting that anyone who is an SGE under old rules would be a CBCRE had that law applied to them, with respect to the previous year.

DSPs can evaluate whether adding a validation rule to address this issue is viable at this time.

The Company tax return instructions will be updated on ato.gov.au.

Agenda item: 5 – Tax Time 2020

Information was provided on the work being done in relation to the current known issues:

Issue 1: INC000040350857
- 'Lump sum other' income fields are being incorrectly processed internally. This is an internal issue only and no changes are required by software products.
- Proposed fix production date 23 July, pending testing.

Issue 2: INC000040226667
- Holiday maker fields - VR.ATO.IITR.730488 does not include checks for all needed fields/redundant fields. Validation rule will be updated to address the gap.
- Proposed fix production date 23 July, pending testing.
- There is a known workaround

Issue 3 INC000040407806
- Conflict between IITR.730057 and INCDTLS109 Validation rule impacting submissions for retirees over 60 years of age.
- Resolution will validate the date of birth to determine if the age of the individual is over 60, and only apply the validation rules when the individual's age is below 60.
- Deployment date to be confirmed.

Issue 4: INC000040064800
- Impacting Prelodge functionality for ETP, Foreign employment income relating to IEH errors, issue does not occur in production. E.g. error requiring all ETP details to be provided when this has been submitted.
- This is not the expected behaviour and is an internal processing issue that will be fixed, it does not relate to the data provided and does not impact lodgments.
- This needs additional testing and assurance and is being assessed for deployment next week.

OECD update:
- CbC Schema v2 for domestic submissions was made available in EVTE for testing from 18th July. Production availability expected from 1 October 2020

- CRS Schema v2 for domestic submission will be available in EVTE in September. Production availability expected from 1 January 2021.

<u>Response to question</u>: CBC v2 will be available from 1 October 2020, and CBC v1 will not be accepted after 30 November 2020. We will accept both v1 and v2 between 1 October and 30 November, however after 30 November all CBC submissions will only be accepted in v2.

Upcoming services in planning:
- Copy of return for IITR 2020 will be available across two EVTE releases:
  - September EVTE: Deliver IITR main form, deductions schedule and income details schedule
  - October EVTE: Remaining schedules CGTS, NRFI, Rental

- TPAR in SBR2 will be updated to include government grants and payments.
  - This will version up TPAR and be available late 2020 in EVTE.

Agenda item: 6 – Platform update

Anu advised that currently there are no issues to report.

There was an incident in 16 July where BBRP responses were delayed. Catch and hold was initiated to minimise impacts to clients.

Agenda item: 7 – Agent online environment update

No update was provided.

Agenda item: 8 – DSP feedback

No feedback was provided by the group.