

EVENT SUMMARY	CONSULTATION	07/05/2015	<b>UNCLASSIFIED</b>
FORMAT	EVENT TYPE	ISSUE DATE	CLASSIFICATION



**Australian Government**  
**Australian Taxation Office**

## INDUSTRY CONSULTATION SUMMARY

FILE REF: [FILE NO.]

TITLE:	<b>Taxable Government Grants and Payments – Software Developer Consultation Outcomes</b>		
VENUE:	National Video Conference (Melbourne, Canberra, Chermshire, Hobart & Northbridge)		
FORMAT	Video Conference		
EVENT DATE:	24 <sup>th</sup> March 2015	START:	2.00pm (ESDST) FINISH: 4.00pm (ESDST)
CHAIR:	Leassa Armstrong	FACILITATOR:	Robert Muscat
CONTACT:	Robert Muscat	CONTACT:	<a href="mailto:sipo@ato.gov.au">sipo@ato.gov.au</a>
PARTICIPANTS:	Listed below		
APOLOGIES:	Listed below		
NEXT MEETING:	None scheduled		

### PURPOSE

This session was undertaken to engage and consult with software developers who specifically develop grant management or grant administration software regarding the proposed reporting of government grants and payments.

### Key Messages

- The start date for the reporting of taxable government grants and payments will be 1 July 2016 as announced in the 2014 Federal Budget.
- Data will need to be collected by government entities in their systems from 1 July 2016, with the first annual report being due for the year ending 30 June 2017.

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- The legislation to support this new reporting regime is under development.
- As things progress, the ATO will release updates to software developers, including an indicative timetable for making information available, including draft specifications (noting final specification will not be available until the law has passed).
- During the consultation with government agencies, it was determined that there were a number of grants paid to individuals that are not taxable income. Based on this, the ATO recommended that grants paid to individuals not in business be excluded from the reporting.
- The ATO has recommended that local councils not report grants as these are paid or awarded for the benefit of the community development. Local councils do not normally award grants to businesses, hence, grants paid by local government are excluded.

### General feedback

Developers were comfortable with having their software ready for commencement of the measure, as long as specifications were provided in time.

Concerns were expressed that even though their software would be ready, there was further lead time in ensuring reporters have done the necessary work to ensure their data is identified correctly.

It should be noted that discussions covered reporting of payments as well as grants.

TOPIC/QUESTION	OUTCOME, DECISION AND/OR ACTION AND DUE DATE
What will happen if there is no ABN provided?	<p>If there is no ABN provided then the field can be left blank however, it is expected that the payer will withhold at the top marginal tax rate and issue the payee with a no ABN payment summary.</p> <p>One developer advised that their software incorporates the ABN Lookup facility to verify ABNs provided.</p>
Are payments to be reported throughout the year when they are paid or just a total for the year?	Only the total payments for the year are expected to be reported. However, after the first year, payers will be able to report more frequently if they wish to do so.
What is a Statement by a supplier?	<p>In certain circumstances some suppliers are not required to quote an ABN to a payer and depending on the circumstances a supplier can complete a 'Statement by a supplier' form and provide this to the payer. This advises the payer not to withhold from the payment to the supplier. This form should only be used where the supplier is:</p> <ul style="list-style-type: none"> <li>- not carrying on an enterprise in Australia</li> <li>- an individual under 18 years and the payment does not exceed a certain amount per week</li> <li>- paid with the amount not exceeding \$75, excluding any GST</li> </ul>

	<ul style="list-style-type: none"> <li>- providing a supply that is wholly input taxed, or</li> <li>- an individual and the supply was made as part of a hobby or was wholly of a private or domestic nature.</li> </ul>
What about cancellations or refunds of previously paid grants?	Only the net payments for the year are to be reported, so any cancellations or refunds would be offset against any payments made. If this results in an amount that is less than zero, then nothing would be reported for that financial year.
Will payments need to be reported by local councils?	Payments to suppliers wholly or partly for services should be reported. The ATO has recommended that local councils not report grants.
How will government entities know if the grant is taxable?	<p>Government entities are not expected to determine whether a grant is taxable or not as this can be different for each recipient.</p> <p>Due to this change in approach, the ATO will determine if the grant is taxable. It's important that there is consistency in names of grants/programs across government as this will be used in our data analyses.</p>
When it comes to the name of the grant, the recipient will not know whether it is taxable or not. Would there be a taxonomy or lists of grants that government agencies can refer to?	<p>No – unfortunately, we cannot list all the grants provided by government agencies. Name of grant programs are constantly changing across the levels of government. The ATO is not in a position to create / maintain a register of this information. However, we are requesting that software developers assist their clients to consistently record the name of the grant or grant program in their software, as this will improve the quality of data that is sent to the ATO.</p>
Multiple payments – timing of payments and reporting will be an issue. Suggested that each payment is reported as it is paid similar to how dividend payments are reported.	<p>Payments for grants and/or services are to be reported on cash (payments) basis, and only a total amount is required for each payee each year.</p> <p>If there are any mismatches or discrepancy because of timing, this will be dealt with by the ATO. So if a government entity receives an invoice on 25 June 2016 and pay that invoice on 5 July 2016, that payment would be included in the annual report for the year 1 July 2016 – 30 June 2017.</p>
There might be an issue as early versions of their product which have a separate system for recording grants which are transferred into the payment system when payment is actually made.	It would generally be expected that the report file for the ATO would be generated from the payments system, which would include data that has been received from the grants software. This is one of the reasons we are meeting with software developers that focus on grants, to assist their understanding of the measure and how the data in their software will be used for reports sent to the ATO by their clients.

Why was there a decision to move away from individual payments to total payments?	The ATO will match the information reported to tax returns and therefore only requires the total amount paid for the year.
How does the ATO receive the information - HTML, HTTP?	<p>For lodgments made via the ATO portals, the file is a flat file with fixed record lengths and fixed field lengths. For lodgment made via SBR it will be in a new format SBR2, which is based on EBMS3.</p> <p>All data that is reported must be in a format that conforms with ATO reporting specifications.</p>
Are there any limitations?	<p>The current version of SBR software for the Taxable payments annual report limits the number of payee records to around 125 per message. However, it is envisaged that this size restriction will not apply for SBR2.</p> <p>Reports lodged as flat files have no limitations. The ATO currently receives reporting in flat file format containing hundreds of thousands of records without any issue.</p>
Will large reporters be reporting through SBR or what format? How do most government agencies currently report?	During consultations with government agencies, we were advised that SBR is not currently widely used. So we expect that reports will be submitted as flat file via the Portal initially, but accept that SBR take up is increasing so we provide both options for reporting.
If a number of payments are made during the year and the recipient/payee details change such as the address or name, what will be reported considering that ATO only wants the aggregated amount to be reported?	<p>We expect that the details from the last payment will be captured and reported to the ATO.</p> <p>Where details do change however, we request payers to check carefully that the payees ABN has not changed.</p> <p>Many businesses change their structure as they grow, but often keep their business name. Where an ABN changes, we expect to see a separate record in the annual report, as we will need to match the data against that entities tax return.</p>
Privacy – Have government agencies been consulted regarding privacy and the transfer of information to the ATO?	This aspect was raised during consultation with government agencies. Unless there is specific law that prohibits a government entity from the reporting information then they will be required to report the information.
Can software developers use the filler field in the payee records to record internal	This is a good suggestion. We will investigate it and provide instructions in the electronic reporting specifications if this can be done.

payee identifier information?	
Is there a process where developers can make recommendations, suggestions or provide feedback?	<p>Software developers are encouraged to subscribe to software developer updates via the <a href="#">Software Developers</a> webpage. We will be periodically publishing updates relating to this measure on this website.</p> <p>We will advise developers once draft specifications have been published and will seek feedback.</p> <p>If questions about today's discussion or any aspect of the measure, can be raised via the project team's mailbox <a href="mailto:tgpp@ato.gov.au">tgpp@ato.gov.au</a></p>

### ACTION ITEMS

1. The ATO will aim to publish indicative timetable and draft specifications via the Software Developers website as early as possible.
2. Software developers are encouraged to subscribe to receive updates from the [Software Developers](#) website.
3. ATO will consider if developers can use the 'Filler' field for their own purposes and provide instructions in the draft specifications.

### Participants

Company	Representative	Attended
e-Grants	Lloyd Bunting	Melbourne
e-Grants	Anita Eglitis	Canberra
Smarty Grants	Sarah Barker	Melbourne
OmniStar	John Milne	Canberra
Oakton	Michael Caldwell	Brisbane
Technology One	Olivia D'Hotman de Villers	Brisbane
Technology One	Colin Gray	Brisbane
EnQuire	Damien Zeller	Chermside
ICS MultiMedia	John Colegrave	Hobart
ICS MultiMedia	David Ovington	Hobart
Lodgelt	Andrew Noble	Northbridge

<b>ATO</b>	<b>Name</b>
Acting Senior Director	Leassa Armstrong
Acting Director	Matt Burt
Assistant Director	Robert McKenzie
Assistant Director	Robert Muscat
Project Officer	Deidree Anderson
Administration officer	Samuel Lyons