



Australian Government

Australian Taxation Office

Services For Tax Practitioners 2018

Digital Partnership Office

AGENDA | DAY TWO

Welcome

Martin Mane

Tax Time 2019 changes

Various presenters

Individuals tax gap: Review of substantiation

Alister Boyes

Future services – what else do you require?

Group discussion

Tax time 2019 changes

SUMMARY

Clarifying the operation of the Division 7A integrity rule

As part of the 2018-19 Budget, the Government announced it will further clarify the operation of the Division 7A integrity rule.

The changes will apply from 1 July 2019 and include:

- For unpaid present entitlements to come within the scope of Division 7A of the *Income Tax Assessment Act 1936*
- A deferral of the start date of the 2016-17 announced 'Targeted amendments to Division 7A'.

This will enable the Government to ensure that all Division 7A amendments will be progressed as part of a consolidated package.

Targeted amendments to Division 7A

In the 2016-17 Budget, the Government announced it will make targeted amendments to improve the operation and administration of Division 7A of the *Income Tax Assessment Act 1936* (Division 7A).

The amendments were to apply from 1 July 2018, but will now apply from 1 July 2019 and will introduce:

- a self-correction mechanism to assist taxpayers to rectify inadvertent breaches of Division 7A promptly
- appropriate safe harbour rules to provide certainty and simplify compliance for taxpayers
- simplified rules regarding complying Division 7A loans, including in relation to loan duration and the minimum interest rate
- a number of technical amendments to improve the integrity and operation of Division 7A and provide increased certainty for taxpayers.

Presented by: Kate French

PRODUCTS

- Company Income Tax Return (2020)
- Trust Return (2020)
- Division 7A calculator and decision tool (2019)

IMPACTS

Until the draft law is released the ATO has insufficient information to plan and commence changes in TaxTime 2019.

If draft law is released we expect changes to the Division 7A calculator and decision tool will be required.

We will inform you of the detail of any changes required as soon as this information is available.



CA 2019-203 | PRIVATE HEALTH INSURANCE REFORMS

SUMMARY

In October 2017 the Minister for Health announced a package of reforms to private health insurance (PHI). The reforms include changes to the provision of PHI statements. From 1 April 2019, it will be optional for health insurers to provide adults covered by a complying health insurance policy with a PHI statement.

Presented by: Kate French

IMPACTS

- In October 2017, Minister for Health announced a package of reforms to private health insurance (PHI)
- Part of the reforms include changes to the provision of the annual PHI tax statement
- If passed, from 1 April 2019 it will no longer be mandatory for health insurers to provide a PHI tax statement to each adult covered by a health insurance policy
- Health insurers will only be required to issue a PHI tax statement within 14 days of receiving a request from their client
- When PHI statements become optional we expect individuals will place more reliance on pre-filling of PHI policy details to complete their tax return
- There are no tax return label or system changes required for this measure
- We will update web content, tax return instructions and myTax messaging to inform clients that where pre-filling is unavailable they will need to contact their health insurer to obtain PHI details to correctly complete their tax return



CA 2019-206 | REPORTABLE TAX POSITION SCHEDULE

SUMMARY

The Reportable Tax Position (RTP) project objective is to digitise the lodgment and storage of RTP schedule data, consistent with the processing of Company Tax Return and other schedules, to support:

- an expanded number of clients required to lodge the RTP schedule
- PG&I initiatives including Justified Trust and Tax Avoidance Taskforce
- PG&I's one to many and non-proliferation risk strategies
- contemporary compliance treatment strategies

For 2019, the following changes are required:

- change to CTR including informational messaging for question 25
- incorporation of the RTP within the CTR including validations specific to RTP fields to ensure accurate completion

Presented by: Dim Ristevski

PRODUCTS

- Company tax Return
- Reportable Tax Position Schedule

IMPACTS

The change positively influences client experience where clients will be able to lodge the RTP schedule within the same channel as the CTR and other schedules.

Further, schedule information will be efficiently collected and retained on ATO data warehouses for future analysis.



KEY DESIGN CONSIDERATIONS

- Aware not all producers may not adopt RTPS due to customer, however, validations are being proposed which may impact those DSPs functionality
- Free text requirement for 3000 characters
- Reliance on web content greater when other schedules i.e. Category C questions

Presented by: Dim Ristevski



CA 2019-207 | PERSONAL INCOME TAX PLAN

SUMMARY

The Personal Income Tax Plan was announced in the 2018-19 Budget and delivers a new low and middle income tax offset, changes to the existing low income tax offset and various threshold changes over the next seven years.

| 1 From 2018-19 | 2 From 2022-23 | 3 From 2024-25 |
|--|--|---|
| New low and middle income tax offset Increase top threshold for the 32.5 per cent bracket | Replace low income tax offset and low and middle income tax offset Increase top threshold of 19 per cent bracket Increase top threshold of 32.5 per cent bracket | Increase top threshold of 32.5 per cent bracket Abolish the 37 per cent rate of income tax |

Tax Time 2019

Income tax return processing

- Top threshold of the 32.5 per cent tax bracket from \$87,000 to \$90,000
- Low and middle income tax offset to be included.

PAYGI

- PAYGI method statement to include the low and middle income tax offset

Presented by: Craig Dunn

PRODUCTS

- Income tax returns
- PAYGW tables
- PAYGI



IMPACTS

Changes are to be delivered in three phases over the next seven years.

2018-19 income year – phase 1

New non-refundable low and middle-income tax offset

- Benefit of up to \$530
- Applies to the 2018-19, 2019-20, 2020-21 and 2021-22 income years
- In addition to LITO
- Residents only
- Won't be factored into PAYGW
- Will be factored into PAYGI from TT2019.

Threshold increase

- Increase the top threshold of the 32.5 per cent tax bracket from \$87,000 to \$90,000
- Benefit of up to \$135
- Residents, non-residents and Working Holiday Makers (Parts 1, 2 and 3 of schedule 7).

2022-23 income year – phase 2

- Both LITO and the low and middle income tax offset will be replaced with a new Low Income tax offset.
- New Low Income tax offset won't be factored into PAYGI
- Increase the top threshold of the 19 per cent tax bracket from \$37,000 to \$41,000
- Increase the top threshold of the 32.5 per cent bracket from \$90,000 to \$120,000.

2024-25 income year – phase 3

- Increase the top threshold of the 32.5 per cent tax bracket from \$120,000 to \$200,000. Effectively abolishing the 37 per cent rate of income tax.



DETAILED DESIGN

2018-19 early lodgers

Any 2018-19 early lodged assessments will include the low and middle income tax offset and apply the updated thresholds.

Low and middle income tax offset

Apply the low and middle income tax offset for the 2018 19, 2019 20, 2020 21 or 2021 22 income year if:

- an *individual* is an Australian resident at any time during the income year.
- a *trustee* is liable to be assessed under section 98 of the Income Tax Assessment Act 1936 in respect of a share of the *net income of a trust; and a beneficiary who is presently entitled to that share is an individual who is an Australian resident at any time during the income year. This entitlement applies for each beneficiary.
- The Low and middle income tax offset will be included as a new line item on the 2019 Notices of Assessment (NOA) where relevant.

Income used

- *Individual*—your taxable income for the income year
- *Trustee*—the amount of the share of *net income

Priority

The offset is a non-refundable, non-transferrable, non-carry forward type of offset. The low and middle income tax offset will be applied after the LITO and before the 'Small business income tax offset'. Display on the NOA will be consistent with this order.

How much

| Amount of the tax offset | | |
|--------------------------|---|---|
| Item | If the relevant income: | The amount of the tax offset is: |
| 1 | does not exceed \$37,000 | \$200 |
| 2 | exceeds \$37,000 but is not more than 48,000 | \$200, plus an amount equal to 3% of the amount that exceeds \$37,000 |
| 3 | exceeds \$48,000 but is not more than 90,000 | \$530 |
| 4 | exceeds \$90,000 but is not more than \$125,333 | \$530, less an amount equal to 1.5% of the amount that exceeds \$90,000 |



DETAILED DESIGN (cont'd)

Interaction with Div6AA

- The amount of offset is capped at the amount of tax payable on income that is not unearned income. This means the offset is not available to reduce tax payable in unearned income.
- Where a low and middle income tax offset and beneficiary tax offset are available, the beneficiary tax offset applies first.
- These rules are worded differently but are consistent with the rules that currently apply to LITO.

Interaction with withholding and instalments

PAYGW – does not include the low and middle income tax offset

PAYGI – does include the low and middle income tax offset as part of the method from TT2019

PAYGI – does not include the Low income tax offset as part of the method from TT2023



CA 2019-207 | PERSONAL INCOME TAX PLAN

The following table explains the rates that apply for the 2018-19, 2019-20, 2020-21 and 2021-22 income years:

Presented by: Craig Dunn

| <i>Income tax rates and thresholds in 2018-19, 2019-20, 2020-21 and 2021-22</i> | | | | | |
|---|---|------------------------------|---|-------------------------------|---|
| <i>Australian Residents</i> | | <i>Foreign Residents</i> | | <i>Working Holiday-makers</i> | |
| <i>Taxable income</i> | <i>Tax payable</i> | <i>Taxable income</i> | <i>Tax payable</i> | <i>Taxable income</i> | <i>Tax payable</i> |
| <i>0 to \$18,200</i> | <i>Nil</i> | <i>0 to \$90,000</i> | <i>32.5 cents for each \$1</i> | <i>0 to \$37,000</i> | <i>15 cents for each \$1</i> |
| <i>\$18,201 to \$37,000</i> | <i>19 cents for each \$1 over \$18,200</i> | <i>\$90,001 to \$180,000</i> | <i>\$29,250 plus 37 cents for each \$1 over \$90,000</i> | <i>\$37,001 to \$90,000</i> | <i>\$5,550 plus 32.5 cents for each \$1 over \$37,000</i> |
| <i>\$37,001 to \$90,000</i> | <i>\$3,572 plus 32.5 cents for each \$1 over \$37,000</i> | <i>\$180,001 and over</i> | <i>\$62,550 plus 45 cents for each \$1 over \$180,000</i> | <i>\$90,001 to \$180,000</i> | <i>\$22,775 plus 37 cents for each \$1 over \$90,000</i> |
| <i>\$90,001 to \$180,000</i> | <i>\$20,797 plus 37 cents per \$1 over \$90,000</i> | | | <i>\$180,000 and over</i> | <i>\$56,075 plus 45 cents for each \$1 over \$180,000</i> |
| <i>\$180,000 and over</i> | <i>\$54,097 plus 45 cents per \$1 over \$180,000</i> | | | | |

Further changes will apply from 2022-23.



CA 2019-211 | COMBINED HELP MEASURES

SUMMARY

The Higher Education Support Legislation Amendment (Student Loan Sustainability) 2018 No. 45, 2018, amended the Higher Education Support Act 2003 (HESA) and Income Tax Assessment Act 1997 affecting the management of Income Contingent Loans (ICL).

This legislation made changes to the minimum repayment income thresholds and repayment rates effective from 1 July 2019. It also provides that from 1 July 2019, the Student Financial Supplement Scheme (SFSS) under the Student Assistance Act 1973 and Social Security Act 1991 will become part of the repayment hierarchy, where it will be repaid after the payment of the HELP debt.

Presented by: Zoe Russell

PRODUCTS

- Individual income tax return
- PAYGW tax tables

IMPACTS

The new repayment rates and thresholds commence from 1 July 2019.

- Individuals with an Income Contingent Loan.
- As at June 2017 there were 2,659,057 Income contingent loan debtors which increased to 2,761,208 as of April 2018. The debtors are made up of the following loan types:
 - Higher Education Loan Program
 - Trade Support Loans
 - Student Start-Up Loans
 - ABSTUDY Student Start-Up Loans,
 - Student Financial Supplement Scheme
- ICL repayment rates and thresholds will increase in the number of repayment income thresholds brackets from 10 to 18.



SUMMARY

Budget savings (Omnibus) Act 2016

Introduced the following changes under the *Higher Education Support Act 2003*, affecting the administration of Higher Education Loan Program (HELP), Trade Support Loan (TSL), Student Start-up Loan (SSL) and ABSTUDY Student Start-up Loan (ABSTUDY SSL) debts:

- Changes to the minimum repayment income thresholds and repayment rates for HELP, TSL and SSL debts – effective 01 July 2018
- HHB Cessation – effective 01 July 2016, (2016-17 income year), clients have up until 30 June 2019 to apply for the 2016-17 income year, which is the last year the HHB can be claimed.
- Introduced the following changes under the *Social Security Act 1991* and the *Student Assistance Act 1973* affecting the administration of Student Financial Supplement Scheme (SFSS) debts:
- Changes to the minimum repayment income thresholds and repayment rates for SFSS debts – effective 01 July 2018

Presented by: Zoe Russell

PRODUCTS

- Individual income tax returns
- Income Contingent Loans
- PAYGW tax tables



CA 2019-211 | COMBINED HELP MEASURES

OMNIBUS NEW REPAYMENT RATES AND THRESHOLDS

Presented by: Zoe Russell

Updated rates for the repayment of income contingent loan debts for 2018-19

2018-19 HELP, TSL, SSL Repayment Rates & Thresholds

| Repayment income thresholds | Repayment rate |
|-----------------------------|----------------|
| Below \$51,956 | Nil |
| \$51,956 – \$57,729 | 2.0% |
| \$57,730 – \$64,306 | 4.0% |
| \$64,307 – \$70,881 | 4.5% |
| \$70,882 – \$74,607 | 5.0% |
| \$74,608 – \$80,197 | 5.5% |
| \$80,198 – \$86,855 | 6.0% |
| \$86,856 – \$91,425 | 6.5% |
| \$91,426 – \$100,613 | 7.0% |
| \$100,614 – \$107,213 | 7.5% |
| \$107,214 and above | 8.0% |

SFSS 2018-19 Repayment Rates & Thresholds

| Repayment income thresholds | Repayment rate |
|-----------------------------|----------------|
| Below \$51,956 | Nil |
| \$51,956 – \$64,306 | 2.0% |
| \$64,307 – \$91,425 | 3.0% |
| \$91,426 and above | 4.0% |



CA 2019-211 | COMBINED HELP MEASURES

STATUS

ATO Status of Confirmed TT18/19 Changes – Budget savings (omnibus) Act 2016

| Change | Status & Implementation date |
|--|------------------------------|
| Modification of Software Developer Specifications to notify of changing income contingent loan rates and thresholds | Complete – May 2018 |
| Modification of ATO products (external calculators, tax tables, web content) across Income Contingent Loans (ICLs) to accommodate repayment rate and threshold changes | Complete – July 2018 |
| Modification of ATO systems (IITR calculations) to accommodated changed repayment rates and thresholds ICLs | Detailed design – June 2019 |
| Modification of ATO processes to decline HHB applications received post 30 June 2019. | Detailed design – June 2019 |

Presented by: Zoe Russell



UPCOMING CHANGES AFFECTING ICLs

Overview of key changes

Higher Education Support Legislation Amendment (Student Loan Sustainability) Act 2018

Status: Legislation Confirmed – Royal Assent received

Introduced the following changes for income contingent loan debts (HELP, TSL, ABSTUDY SSL, SSL and SFSS):

- Updates to ICL repayment rates and thresholds – effective 01 July 2019
- Ceasing of concurrent payments for SFSS debts, and amendment to the order of repayment of debts including SFSS debts under the income contingent loan repayment hierarchy – effective 01 July 2019
- Renewable HELP Loan Limits – effective 01 July 2020

Education and Other Legislation Amendment (VET Student Loan Debt Separation) Bill 2018 and Student Loans (Overseas Debtors Repayment Levy) Amendment Bill 2018

Status: Legislation passed both Houses of Parliament on 13 September 2018.

The following changes will occur for VET Student Loans (VSL) from 1 July 2019:

- Separation of VET Student Loans (VSL) from other forms of Higher Education Loan Program (HELP) debts.
- Facilitates recovery of repayments from debtors residing overseas that have a VSL debt as debt separate from HELP, consistent with existing arrangement for those with reside overseas and owe a HELP or TSL debt.

Presented by: Zoe Russell



CA 2019-211 | COMBINED HELP MEASURES

SUSTAINABILITY BILL NEW REPAYMENT RATES & THRESHOLDS

Updated rates for the repayment of income contingent loan debts for the 2019-20 financial year

Presented by: Zoe Russell

| 2019-20 HELP, TSL, SSL, SFSS Repayment Rates & Thresholds (incl. VSL subject to passage of legislation) | |
|---|----------------|
| Repayment income thresholds | Repayment rate |
| Below \$45,881 | Nil |
| \$45,881 – \$52,973 | 1.0% |
| \$52,974 – \$56,151 | 2.0% |
| \$56,152 – \$59,521 | 2.5% |
| \$59,522 – \$63,092 | 3.0% |
| \$63,093 – \$66,877 | 3.5% |
| \$66,878 – \$70,890 | 4.0% |
| \$70,891 – \$75,144 | 4.5% |
| \$75,145 – \$79,652 | 5.0% |
| \$79,653 – \$84,432 | 5.5% |

| 2019-20 HELP, TSL, SSL, SFSS Repayment Rates & Thresholds (incl. VSL subject to passage of legislation) | |
|---|----------------|
| Repayment income thresholds | Repayment rate |
| \$84,433 – \$89,498 | 6.0% |
| \$89,499 – \$94,868 | 6.5% |
| \$94,869 – \$100,560 | 7.0% |
| \$100,561 – \$106,593 | 7.5% |
| \$106,594 – \$112,989 | 8.0% |
| \$112,990 – \$119,769 | 8.5% |
| \$119,770 – \$126,955 | 9.0% |
| \$126,956 – \$134,572 | 9.5% |
| \$134,573 and above | 10.0% |



CA 2019-211 | COMBINED HELP MEASURES

STATUS

ATO Status of Confirmed TT19/20 Changes – Higher Education Support Legislation Amendment (Student Loan Sustainability Act) 2018

| Changes | Status & Estimated Implementation date |
|--|--|
| Modification of Software Developer Specifications to notify of changing income contingent loan rates and thresholds | High level design – Feb/Mar 2019 |
| Modification of ATO products (external calculators, tax tables, forms, web content) across Income Contingent Loans (ICLs) to accommodate repayment rate, repayment hierarchy and threshold changes | High level design – June 2019 |
| Modification of ATO reporting systems to provide HELP debt repayment reporting to the policy owner to support renewable HELP loan limit changes | High level design – Jan 2020 |
| Modification of ATO systems (IITR calculations) to accommodate changed repayment hierarchy (incl. SFSS), rates and thresholds ICLs | High level design – June 2020 |

Presented by: Zoe Russell



CA 2019-211 | COMBINED HELP MEASURES

Presented by: Zoe Russell

STATUS

ATO Status of Potential TT19/20 Changes - Education and Other Legislation Amendment (VET Student Loan Debt Separation) Bill 2018 and Student Loans (Overseas Debtors Repayment Levy) Amendment Bill 2018

| VET Student Loan Separation Changes | Status & Estimated Implementation date |
|---|--|
| Modification of Software Developer Specifications to notify of additional VSL Account, and changing income contingent loan rates and thresholds | High level design – Feb/Mar 2019 |
| Modification of ATO products (external calculators, tax tables, web content) across Income Contingent Loans (ICLs) to accommodate repayment rate, repayment hierarchy and threshold changes | High level design – June 2019 |
| Create a VSL account and role | High level design – July 2019 |
| Load and reverse debts | High level design – July 2019 |
| Calculate and raise a compulsory repayment or overseas repayment levy | High level design – July 2020 |
| Accept voluntary repayment toward VSL debt | High level design – July 2019 |
| Allow for deferment of compulsory repayment or overseas repayment levy | High level design – July 2019 |
| Modification of ICL indexation service to include indexation of VSL loans | Not yet started – June 2020 |
| Modification of ATO systems (IITR calculations) to accommodated changed repayment hierarchy (incl. VSL), rates and thresholds ICLs | Not yet started - June 2020 |



CA 2019-209 | VET DEBT SEPARATION

SUMMARY

Introduced with the Student Loans (Overseas Debtors Repayment Levy) Amendment Bill 2018, the bill amends the: Higher Education Support Act 2003 and VET Student Loans Act 2016 to separate VET student loan debts from other forms of Higher Education Loan Program debts and establish VET student loans as a separate income contingent loan; and VET Student Loans Act 2016 to allow the courses and loan caps determinations made by the minister to incorporate, by reference, any matter contained in an instrument or other writing as in force from time to time. Also makes consequential and contingent amendments to 10 Acts.

Presented by: Zoe Russell

PRODUCTS

- Notice of Assessment (NOA),
- Statement of Account (SOA),

IMPACTS

The VET Student Loan (VSL) debt will no longer be part of the HELP debt from 1 July 2019. From this date a new VSL role will be created.

The VSL debt becomes part of the compulsory repayment hierarchy and is repayable after the HELP debt but before the SFSS debt. From 1 July 2019, the repayment hierarchy will be:

1. HELP (Higher Education Loan Program)
2. VSL (Vocational Education Training Student Loan)
3. SFSS (Student Financial Supplement Scheme)
4. SSL (Student Start-Up Loan)
5. ABSTUDY SSL
6. TSL (Trade Support Loan Scheme)

The VSL debt will also be collected from debtors who are residing and working overseas.

The ATO will be able to report back to Education on voluntary and compulsory repayments made specifically against the VSL debt.



Morning break

SUMMARY

This is a legislative measure announced in the 2013 Budget which received Royal Assent 30 November 2015.

Under the measure the ATO will capture data on the transfers of units in unit trusts and shares. The data will be used to support compliance and pre-fill.

For 2019, the following changes are required:

- Significant changes to the CGT investment pre-fill data and processes
- Data specification changes to all shares and units reporting specifications including Transfers of shares and units – market participants, Transfers of shares and units – Listed entities and the Annual Investment Income report.

Presented by: Christina Pilkington

PRODUCTS

- AIIR
- Transfers of shares and units (Listed Entities)
- Transfers of shares and units (Market Participants)

IMPACTS

1. Significant changes to the CGT investment pre-fill data and processes
 - The pre-fill data for shares in 2017-18 is informational and only provides information on the date and disposal price of a share as an informational sentence and in three fields in the CGT calculator
 - From 2018-19 onwards we intend to provide more information on the costs that contribute towards the cost base, such as the original purchase price of the different parcels that the taxpayer owns. This may initially be through a download, but longer term through a calculator where the taxpayer will need to nominate which parcels were sold. This will also be available to tax agents
 - We will not be in a position to calculate a final capital gain, taxpayer input will always be required
2. Data specification changes to all shares and units reporting specs (MKPR, AIIR and listed entity reports) and changes to the ESS annual report to provide a reporting option for overseas entities
 - MKPR – minor updates to definitions and the bulk trade data record
 - LENR – minor updates to transaction reason codes
 - AIIR – separation of income reporting from share or unit transaction reporting and a change to the record pattern to remove duplication of the investor record



CA 2019-212 | BUSINESS TRANSACTIONS THROUGH PAYMENT SYSTEMS

SUMMARY

Since 1 July 2017 the *Business transactions through payment systems* new measure has required administrators of payment systems to report the payments they process for businesses to the ATO. This includes payments received through credit and debit cards, BPAY and other specialised payment systems.

In TT2019 this information will be informatively prefilled to myGov, PLS and the tax agent portal for Individual clients so that Individual taxpayers and their tax agents will be able to see the data we have on net payments received through an electronic payment system and who reported that information to the ATO.

Presented by: Rebecca Drummond

PRODUCTS

Informative prefill to myGov, PLS and the tax agent portal for Individual clients.

IMPACTS

Entities processing electronic payments for business now have a reporting obligation to the ATO. Reports are due by 31 July after the end of the financial year.

Businesses and some individuals (who may or may not be in business) receiving payments through electronic payment systems will have details of those payments reported to the ATO at least annually.

Individual taxpayers will have information displayed in myGov about the:

- reporting institution
- net annual amount of payments processed (sales less refunds)
- currency in which the transactions were processed

Tax agents lodging reports on behalf of Individual taxpayers with electronic payments data will see this informative message.



SUMMARY

The Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018 was introduced into Parliament on 20 September 2018 and it amend the Research and Development Tax Incentive (R&DTI) to reward additional investment in R&D, whilst ensuring the integrity and fiscal affordability of the R&DTI.

The key changes introduced by the measure are:

- *For all R&D entities:*
 - Increase the cap on R&D expenditure to \$150 million;
 - Amend the feedstock and clawback rules;
- *For R&D entities with an aggregated turnover under \$20 million ('refundable' entities):*
 - Link the rate of the R&DTI to the corporate tax rate (set at 13.5 percentage points for refundable entities);
 - Cap the refundable offset in any one year to \$4 million (any excess becomes a non-refundable offset);
 - Creating a sub-category of R&D activity for 'clinical trials', and carving out expenditure on clinical trials from the \$4 million refundable cap.
- *For R&D entities with an aggregated turnover over \$20 million ('non-refundable entities):*
 - Linking the rate of the R&DTI to the corporate tax rate (outlined below);
 - Introducing an 'intensity premium' which rewards companies with a higher R&DTI offset rate, based on their level of R&D expenditure in proportion to their total expenses in the income year;
 - The applicable R&DTI offset

Presented by: Timothy Beale

PRODUCTS

- Company tax return
- R&D Schedule
- Online calculator/tools
- Instructional material



SUMMARY

| Tier | Intensity Range | R&D Premium |
|------|--|------------------------|
| 1 | Notional R&D deductions representing up to 2 per cent of expenditure | 4 percentage points |
| 2 | Notional R&D deductions representing greater than 2 and up to 5 per cent of expenditure | 6.5 percentage points |
| 3 | Notional R&D deductions representing greater than 5 and up to 10 per cent of expenditure | 9 percentage points |
| 4 | Notional R&D deductions representing greater than 10 per cent of expenditure | 12.5 percentage points |

- Further, some administrative measures are being introduced:
 - Confirming that the R&D offset is a tax benefit to which Part IVA can apply.
 - Requiring the Commissioner to publish certain information about R&DTI claimants (in the same manner as the Corporate Tax Transparency data).
- Changes for the administration of the program by Department Industry, Innovation and Science (eg; time limits to register).



IMPACTS

Given the nature of these proposed legislative changes to the R&DTI, there will need to be consequential changes to ATO business systems, tools and forms.

In particular, the Tax time changes include:

- Company tax return
- R&D Schedule
- Online calculator/tool, and
- Instructional material.

Consultation with PLS digital service providers will be undertaken in relation to these changes to ATO business systems, tools and forms.



SUMMARY

The hybrid mismatch rules are aimed at preventing multinational enterprises from gaining an unfair competitive advantage by avoiding income tax or obtaining double tax benefits through hybrid mismatch arrangement.

The main objective of the rules is to eliminate double non-taxation outcomes by discouraging the use of hybrid arrangements as they are self-assessment anti-avoidance measures.

The hybrid mismatch rules will apply to entities lodging Australian income tax returns (ITRs) for income years beginning on or after 1 January 2019. In addition, amendments to Subdivision 768-A and certain franking rules apply to payments made after 1 January 2019 but before 30 June 2019.

The main purpose of requiring disclosures in the 2019 IDS will be to identify potential hybrid arrangements which are being restructured and to determine the operative effect of the 768-A amendments.

IMPACTS

The purpose of the proposed IDS changes is two-fold:

1. Identify existing hybrid arrangements and what restructuring activity has been undertaken in respect of these; and
2. For income years beginning on or after 1 January 2019, identify appropriate compliance with new Division 832 by taxpayers who have retained hybrid arrangements, or have entered into new hybrid arrangements.

Hybrids will impact some existing sections of the IDS, therefore, we propose a new section be added to specifically disclose hybrid mismatch arrangements. For example, existing hybrid questions 19a and 29b as contained in the 2018 IDS will be relocated and incorporated into the new section.

IDS 2019

Other changes to the 2019 form include:

1. Minor amendments to further support the Diverted Profits Tax regarding CFC reporting for the active income test and AFI treatment; and
2. Small Business entity relief to alleviate unintended compliance costs. Given recent IDS changes are BEPS initiated and not intended for Small Business IDS submitters, an adjusted de minimis threshold will provide some dispensation for the specific population.

Presented by: Ron Stevenson

PRODUCTS

- International Dealings Schedule



CA 2019-204 | TAX INTEGRITY PACKAGE (TPRS)

SUMMARY

The extension of taxable payments reporting to the cleaning and courier industries is intended to improve fairness and create a level playing field within these industries by addressing non-compliance with taxation obligations by contractors. This non-compliance centres on non-lodgment of tax returns and omitted income from tax returns that have been lodged.

Taxable payments reporting will require businesses that provide cleaning or couriers services to report on payments they make to contractors for cleaning and couriers services.

Presented by: Marcus Chew

PRODUCTS

- TPAR required for different industries

IMPACTS

Subject to the legislation passing the system will commence for these industries from 1 July 2018, with the first annual report for the 2018/19 year being due by 28 August 2019.

The current taxable payments annual report will be used. Many software developers have already deployed taxable payments reporting to their software programs to allow for reports to be lodged online. A paper form is available for those who do not have software or do not update their software in time.



CA 2019-216 | TAX INTEGRITY PACKAGE (TPRS)

SUMMARY

On 9 May 2018, the Government announced that from 1 July 2019 businesses that supply road freight, security, investigation, surveillance, or IT services will need to report payments made to contractors if the payments are for road freight, security, investigation, surveillance or IT services. The announcement included developing an online for lodgment of TPAR.

Presented by: Marcus Chew

PRODUCTS

- TPAR required for different industries

IMPACTS

Subject to the legislation passing the system will commence for these industries from 1 July 2019, with the first annual report for the 2019/20 year being due by 28 August 2020.

The current taxable payments annual report will be used. In addition to the already available channels (paper form, software generated file, SBR enabled software) an online form (retail service) will be developed to allow those who do not have software and lodge on paper, to lodge online.



Lunch

Future Services

What else do you require?

Group discussion

Thank you for attending, contact
DPO@ato.gov.au
