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2020 TAX CHANGES

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2020 TAX CHANGES

COVID-19 Related Changes

Enhancing the Instant Asset Write-Off

[ATO Link]

FORMS IMPACTED | Depreciation

SUMMARY

The Treasury Laws Amendment (Increasing and Extending the Instant Asset Write-Off) Act 2019 amended the tax law to increase the cost threshold below which small business entities can claim immediately deduction for depreciating assets to:

- $25,000 (up from $20,000) for the period from 29 January 2019 to before 7.30 pm (by legal time in the Australian Capital Territory) on 2 April 2019, and
- $30,000 for the period from 7.30 pm (by legal time in the Australian Capital Territory) on 2 April 2019 until 30 June 2020.

It also expanded the instant asset write-off to include medium-sized businesses with an aggregated annual turnover of less than $50 million from 12 March 2020 to 31 December 2020.

As part of the government's economic response to COVID-19, the instant asset write-off threshold has been increased from 12 March 2020 until 31 December 2020 to $150,000 (up from $30,000). The eligibility range has been expanded to cover businesses with an aggregated turnover of less than $500 million (up from $50 million).

From 1 January 2021, the instant asset write-off will only be available for small businesses with a turnover of less than $10 million and the threshold will be $1,000.

Assets that cost $150,000 or more can be allocated to a small business entity's general small business pool. If the balance of the small business pool is less than $150,000 at the end of an income year that ends on or after 12 March 2020 but before 1 January 2021, it can be written-off immediately.

IMPACTS

Changes to the asset depreciation threshold and relevant calculations in Software Assistant & Onvio.
There is no user input required for calculations to take effect.

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2020 TAX CHANGES

Backing Business Investment (BBI) – Accelerated Depreciation
ATO Link

FORMS IMPACTED | Depreciation

SUMMARY

Measures introduced in March 2020 provide an incentive to businesses with aggregated turnover of less than $500 million for the 2019–20 and 2020–21 income years, to deduct the cost of depreciating assets at an accelerated rate.

For each new asset, the accelerated depreciation deduction applies in the income year that the asset is first used or installed ready for use for a taxable purpose. You claim the deduction when lodging your tax return for the income year. The usual depreciating asset arrangements apply in the subsequent income years that the asset is held.

To be eligible to apply the accelerated rate of deduction, the depreciating asset must:

- be new and not previously held by another entity (other than as trading stock),
- be first held on or after 12 March 2020,
- first used or first installed ready for use for a taxable purpose on or after 12 March 2020 until 31 December 2021, and
- not be an asset to which an entity has applied the instant asset write-off rules or depreciation deductions.

Different rules apply depending on whether or not an entity is using the simplified rules for capital allowances for small businesses.

1. Simplified depreciation scenario: If you are a small business with an aggregated turnover of less than $10 million, and you use the simplified depreciation rules, those assets over the instant asset threshold which are eligible for the accelerated depreciation are added to the general small business pool. You can deduct an amount equal to 57.5% (rather than 15%) of the business portion of a new depreciating asset in the year you add it to the pool. In later years the asset will be depreciated as part of the general small business pool rules.
2. Non-simplified depreciation scenario: If you are an entity with aggregated turnover less than $500 million in the income year and do not use the simplified depreciation rules, you may be eligible to deduct an amount if the asset is a qualifying asset. This includes assets that have not been immediately deducted under the instant asset write-off rules.

   The amount your entity can deduct in the income year the asset is first used or installed ready for use is:

   - 50% of the cost (or adjustable value where applicable) of the depreciating asset
   - plus the amount of the usual depreciation deduction that would otherwise apply but calculated after first offsetting a decline in value of 50%.

Effectively, together with the instant asset write-off rules, the accelerated depreciation deduction applies to assets with a cost (or adjustable value if applicable) of:

- $150,000 or more in the 2019–20 income year.
- $1,000 or more in the 2020–21 income year.

IMPACTS

Changes to the asset depreciation threshold and relevant calculations in Software Assistant & Onvio.
There is no user input required for calculations to take effect.

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Home office running expenses during COVID-19
[ATO Link]

FORMS IMPACTED | N/A

SUMMARY

Special arrangements have been put in place for employees to claim a work-related expense for working from home during COVID-19. The $0.80 per hour rate applies from 01/03/2020 until 30/06/2020 at which time it will be reviewed to see whether it needs to be extended.

There are three ways of calculating home office expenses depending on your circumstances. The methods are the:

1. Shortcut method (80 cents) – only available 1 March to 30 June 2020
2. Fixed rate method (52 cents)
3. Actual cost method

IMPACTS

No new fields have been introduced into the Deductions Schedule design for 2020 to capture the use of the new shortcut home office rate. However, Agents and taxpayers will be requested to identify these claims in their 2019/20 income tax returns as per the practical compliance guidelines.

Tax Changes

Personal Income tax – Ensuring individuals meet their tax obligations

ATO Link

FORMS IMPACTED | Individual and schedules (DDCTNS, WRE, RS, RNTLPRPTY, INCDTLS, PSS, CGTS, NRFI)

SUMMARY

This measure will continue four income matching programs that would otherwise terminate from 1 July 2018 to allow the ATO to detect incorrect reporting of income, such as foreign source income of high wealth individuals.

The new granular design seeks more detailed line item information to be provided to the ATO when completing individual income tax returns. This information includes descriptive elements for the amounts that make up the rolled-up totals currently provided as part of the lodgment.

IMPACTS

Income schedule from item 1 of the IITR has been re-designed. Additional information will be transmitted to the ATO during lodgement to assist with data matching and allowing the ATO to identify where people and businesses may not be reporting all their income. The details entered in the following schedules will be included with lodgment of the return:

- deduction schedule (2019 returns and later) – i.e. deduction labels D1-D15
- multi-property rental schedule (2020 returns and later) – i.e. rental property schedule
- income schedule (2020 returns and later) – i.e. income labels 1-23 including CGT and NRFI.

Genuine redundancy and early retirement scheme payments – alignment with the Age Pension age

ATO Link

FORMS IMPACTED | Individual

SUMMARY

In the 2018-19 MYEFO, the Government announced that from 1 July 2019 it would extend the concessional tax treatment of genuine redundancy and early retirement scheme payments, to those who had reached the current age based limit of 65 years but not the Age Pension qualifying age. The changes apply to payments received by employees who are dismissed or retire on or after 1 July 2019.

Under the old law for a payment to an employee to be a genuine redundancy payment or early retirement scheme payment on the day of dismissal or retirement, the employee must not have reached the age of 65.

Under the new law for a payment to an employee to be a genuine redundancy payment or early retirement scheme payment the employee must not have reached pension age on the day of the dismissal or retirement.

This measure did not change the basic, or any other eligibility requirements for a genuine redundancy or an early retirement scheme.

IMPACTS

No changes to Software Assistant or Onvio.

Capital Gains Tax changes for foreign investors – main residence exemption

ATO Link

FORMS IMPACTED | Individual

SUMMARY

In the 2017-18 Budget the government announced that it will extend Australia's foreign resident capital gains tax (CGT) regime by denying foreign tax residents access to the CGT main residence exemption from 7:30PM (AEST) on 9 May 2017, however existing properties held prior to this date will be grandfathered until 30 June 2020.

The changes impact certain foreign residents as follows:

- For properties held before 7:30pm (AEST) on 9 May 2017, the CGT main residence exemption will only be able to be claimed for disposals that happen up until 30 June 2020, provided they satisfy the other existing requirements for the exemption. For disposals of these properties that happen from 1 July 2020, at the time of the CGT event, they will no longer be entitled to the exemption unless any of the following life events occur within a continuous period of six years of the individual becoming a foreign resident:
    - either the foreign resident, their spouse, or their child who was under 18 years of age, has a terminal medical condition
    - either the foreign resident, their spouse, or their child who was under 18 years of age at the time of their death, dies
    - the CGT event involves the distribution of assets between the foreign resident and their spouse because of their divorce, separation or similar maintenance agreements.
- For properties acquired at or after 7:30pm (AEST) 9 May 2017, the CGT main residence exemption will no longer apply to disposals from that date unless certain life events (listed above) occur within a continuous period of six years of the individual becoming a foreign resident.

Foreign residents who dispose of residential property after 9 May 2017 that no longer qualify for the CGT main residence exemption will need to pay foreign resident capital gains withholding (FRCGW) upon settlement and lodge a tax return to declare any capital gain.

IMPACTS

Validation warning 'Foreign resident Capital gains withholding variation rate application' is triggered when foreign residents attempt to apply for variation.

Net medical expenses tax offset phase out

ATO Link

FORMS IMPACTED | Individual | Trust

SUMMARY

On 14 May 2013, the government announced in the Federal budget that the net medical expenses tax offset would be phased out from 1 July 2013. Further to this, the offset would be abolished from 1 July 2019.

FY2020 changes are required to remove access to the offset, effectively abolishing it.

IMPACTS

Tax Offsets, label 'T5 Total net medical expenses for disability aids, attendant care or aged care' has been removed. There are also instructional changes to the Trust tax return.

JobSeeker Payment (JSP)

[APH Link]

FORMS IMPACTED | Individual

SUMMARY

From 20 March 2020, the Welfare Reform Act introduces a single Jobseeker Payment, to replace seven existing payments as the main payment for people of working age.

- There will be transition periods where the current payments and the new Jobseeker Payment will need to exist side by side in the tax return and associated content.
- As two of the payments are only ceasing from 1 January 2022, the impacted Tax Time years will be 2020-24.
- An estimated 800,000 -1,000,000 DHS clients will transition to the new payment type in March 2020.
- The payment information is sent by DHS to the ATO annually, and prefilled in myTax.
- The Jobseeker Payment (to be known as "JSP") will consolidate 7 welfare payments for working-age Australians into one. The 8 welfare payment codes corresponding to the 7 payment types are listed below.

PAYMENT CODES AND END DATES

- Newstart Allowance (NSA) (20/3/2020) (Individual income tax return Label 5)
- Widow B Pension (WID) (20/3/2020) (Label 6)
- Wife Pension (20/3/2020) (Label 6)
  - Wife AGE (WFA)
  - Wife DSP (WFD)
- Bereavement Allowance (BVA) (20/3/2020) (Label 6)
- Sickness Allowance (SKA) (20/9/2020) (Label 5)
- Widow Allowance (WDA) (1/1/2022) (Label 5)
- Partner Allowance (PTA) (1/1/2022) (Label 5)

IMPACTS

Label description updated to include "JobSeeker" at item 5 of the IITR.

Updated validation for Adjusted Taxable Income for FHSS

[ATO Link]

FORMS IMPACTED | Individual

SUMMARY

First Home Saver Scheme (FHSS) legislative change occurred in Tax Time 19. Due to the introduction of FHSS, there are a number of validations in PLS that require changes.

IMPACTS

Validation rules have been updated to ensure that adjusted taxable income excludes any assessable first home super saver released amount.

In addition, report guidance for "Spouse's taxable income" has also been updated to ensure any assessable First home super saver released amount is also excluded.

Extension of TPRS

[ATO Link]

FORMS IMPACTED | TPAR

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 current taxable payments annual report will be used.

IMPACTS

N/A - We do not support the TPAR form in Tax Assistant or Onvio.

Shares and Units data delivery service

[ATO Link]

FORMS IMPACTED | N/A - This is a new data delivery service and is not tied to an annual return

SUMMARY

For 2020, the shares and units data collected under this measure will be made available to digital service providers. This is separate to the informational data which is exposed through prefill services and is limited to the date, security name, quantity of shares disposed and proceeds received. The new data service will include all data, including acquisition data, collected since 1 July 2017, this will be made available at the end of March 2020.

This is the delivery of a commitment to Government to make the data available to streamline the calculation of Capital Gains tax.

The share data exposure tool will be available on:

- myTax under the 'Tax > Manage' menu
- Online services for agents under 'Reports and forms > Lodgments > Client reports' menu under the 'Pregenerated reports' section

IMPACTS

There are no changes to Tax Assistant/Onvio at this stage however we may utilise additional pre-fill information available for CGT in future tax years.

Better targeting the Research and Development Tax Incentive
Legislation | ATO Link

FORMS IMPACTED | Company (2021) | R&D Tax Incentive Schedule (2021)

SUMMARY

On 8 May 2018, the Government announced that they would amend the Research & Development Tax Incentive (R&DTI), to encourage additional investment in Research & Development (R&D) while also ensuring the integrity and fiscal affordability of the R&DTI.

The measure is expected to apply to the first income year commencing on or after 1 July 2019.

The changes include:

Companies with aggregated annual turnover of $20 million or more
There will be an R&D premium (i.e. offset) that ties the rates of the non-refundable R&D tax offset to the incremental intensity of R&D expenditure as a proportion of total expenditure for the year.

The marginal R&D premium will be the claimant's company tax rate plus:

- 4% for R&D expenditure less than 4% of total expenses;
- 8.5% for R&D expenditure between 4% and 9% of total expenses;
- 12.5% for R&D expenditure above 9% of total expenses.

The R&D expenditure threshold – the maximum amount of R&D expenditure eligible for concessional R&D tax offsets – will be increased from $100 million to $150 million per annum.

Companies with aggregated annual turnover below $20 million
The refundable R&D offset will be a premium of 13.5% above a claimant's company tax rate. Cash refunds from the refundable R&D tax offset will be capped at $4 million per annum.

IMPACTS

This Bill is still awaiting passage and has been referred to the Senate Economics Legislation Committee. The R&D Schedule and Company tax return form changes will only be progressed once legislation is passed. Until then, clients will claim in line with the current law.

Note: The application period for R&D applications in respect of the 2018-19 year has been extended to 30 September 2020.

Removal of 'Internet Trading' question from non-individual paper forms

FORMS IMPACTED | Company | Partnership | Trust (Paper forms)

SUMMARY

The internet trading questions have become out-dated and require updating. Broad consultation (with internal ATO areas and external software developers) has been conducted for the removal of the question from the **Company** tax return (**paper form** only) from 2020 onwards and relevant ATO systems from 2021 onwards. For consistency, the internet trading question will also be removed from the paper form of the 2020 **Trust** tax return and the 2020 **Partnership** tax return.

Due to technical complexity for renumbering all the questions in the 2020 forms, the questions will not be renumbered in the paper forms for 2020. The renumbering is planned for 2021 forms on both the paper forms and ATO system for the **Company** tax return only at this stage.

IMPACTS

Paper form only change. The labels will be removed from the electronic form for Tax Time 2021.

Amending the definition of Significant Global Entities (SGE)

Received Royal Assent 25 May 2020 | ATO Link

FORMS IMPACTED | Company | Partnership | Trust

SUMMARY

The Significant Global Entity (SGE) definition is currently used to identify who needs to provide Country-by-country reports, General Purpose Financial Statements (GPFS) and who the Multi-national Anti-avoidance Law, Diverted Profits Tax, and SGE penalties apply to.

Currently the SGE definition only applies to an entity which is a member group headed by a public company or private company required to provide consolidated financial statements. A key motivator for the broadening of the SGE definition was to bring Australia's definition of a SGE into alignment with OECD model legislation in Action 13 of the BEPS Action Plan.

The intention was to broaden the definition to include members of large multinational groups headed by private companies, trusts and partnerships. It will also include groups headed by investment entities.

IMPACTS

New label: G2-Country by country reporting entity (C, P & T)
New title for item 5 in the company tax return. This question will now be linked to the new G2 label rather than G1

Tax integrity — thin capitalisation — valuation of assets and treatment of consolidated entities.
[ATO Link]

FORMS IMPACTED | International Dealings Schedule (IDS)
SUMMARY
The measure amends the ITAA1997 to tighten Australia's thin capitalisation rules by:

- requiring an entity to use the value of the assets, liabilities (including debt capital) and equity capital that are used in its financial statements;
- removing the ability for an entity to revalue its assets specifically for thin capitalisation purposes; and
- ensuring that non-ADI foreign controlled Australian tax consolidated groups and multiple entry consolidated groups that have foreign investments or operations are treated as both outward investing and inward investing entities.

IMPACTS

- Section D - Thin Capitalisation – questions 37a, 37b, 37c have been removed
- Section G – Hybrid Mismatches. Wording changes at questions, 45, 46a, 48a, 49, and 49a (minor wording change – under each box of Restructuring event 1, 2 & 3).
- Changes to font legibility (Q49a) and character capacity deficiencies (Q49a, Q17).

Stapled Structures
[ATO Link]

FORMS IMPACTED | Partnership | Trust
SUMMARY
A stapled structure is an arrangement where two or more entities that are commonly owned – at least one of which is a trust – are bound together and cannot be bought or sold separately.

The Stapled Structures legislation introduces the following measures that apply to any foreign investors who have invested in or through a stapled structure:

- Non-concessional MIT income – specifying the withholding rate on income attributable to non-concessional managed investment trust (MIT) income is 30%
- Thin capitalisation – modified thin capitalisation rules to prevent double-gearing structures
- Superannuation funds for foreign residents - exemption from withholding tax – limiting the withholding tax exemption for super funds for foreign residents
- Sovereign immunity – limiting the scope of the sovereign immunity tax exemption.

IMPACTS
Trust and Partnership Returns

- Section 32 – Non-Concessional MIT Income (NCMI) has been added
- Statement of Distribution, labels:
    - A1 – PP – NCMI
    - A2 – PP – Excluded from NCMI
    - B1 – PP – NCMI
    - B2 – PP – Excluded from NCMI

Trust Returns

- Statement of Distribution, labels:
  - F1 – NCMI Capital gains
  - F2 – Excluded from NCMI Capital gains

Instructional changes

Minor Instructions updates have been made to the following –

- Company tax return instructions – 6D, 6E and 7A
- Fund income tax return instructions – 10A, 10I and 10Q
- Individual Supplementary instructions – 13 Partnerships and trusts, 18 Capital gains

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Tax Integrity – Improving the taxation of Testamentary Trusts

Legislation | ATO Link

FORMS IMPACTED | Trust

SUMMARY

In the 2018-19 Budget, the Government announced that it will implement an integrity measure to improve the taxation of testamentary trusts.

Currently, income received by minors from testamentary trusts is taxed at normal adult rates rather than the higher tax rates that generally apply to minors. However, some taxpayers are able to inappropriately obtain the benefit of this lower tax rate by injecting assets unrelated to the deceased estate into the testamentary trust.

The Bill amends Division 6AA of the ITAA 1936 to ensure the tax concessions available to minors in relation to income from a testamentary trust only apply in respect of income generated from assets of the deceased estate that are transferred to the testamentary trust (or the proceeds of the disposal or investment of those assets).

IMPACTS

1. New code ‘E – Testamentary trust’ in the label ‘Type of trust’
2. New label ‘C1 – Div 6AA Eligible income’ in the Statement of distribution section (each beneficiary only, NOT income to which no beneficiary is presently entitled …)

Black Economy - Denying Deductions

ATO Link

FORMS IMPACTED | N/A

SUMMARY

On 8 May 2018, the government announced a whole-of-government blueprint for tackling the black economy including a series of measures. One of these measures is Denying deductions for non-compliant payments. It took effect from 1 July 2019 for income tax returns lodged for 2019-20 financial year onwards.

Businesses are no longer able to claim deductions for payments to their employees such as wages where they have not withheld the amount of PAYG from these payments or reported the withheld amounts to the Commissioner, despite the PAYG withholding requirements applying. It is a financial disincentive to businesses operating in the black economy by disallowing deductions that would normally be available.

Tax practitioners should review the payments their business clients have made to their workers and make sure that they have classified their worker correctly as either an employee or contractor, and:

- for employees – check they have withheld and reported the correct amount of PAYG tax or made a voluntary disclosure if they haven't
- for contractors – check they quoted an ABN and that it is valid

IMPACTS

There are no identified system changes or 'back end' impacts to ATO calculators or forms.

The ATO will be updating instructions for any tax return and associated communication that mentions wage expenses, to let businesses know they can't claim a wage expense when they haven't satisfied their PAYGW obligations.

SMSF Changes

TT20 and retrospective changes for LRBA/NALI

FORMS IMPACTED | SMSF

SUMMARY

Integrity measures included in Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2019 have now been enacted with an effective date of 1 July 2018. There have been amendments made to non-arm's length income (NALI) provisions and Limited recourse borrowing arrangement (LRBA) amounts will now be included in total superannuation balance (TSB) calculations. The bill passed both houses on 19 September and reached assent on 2 October 2019.

IMPACTS

There are no software changes. However, the ATO has updated report guidance for labels in the SMSF Annual Return for the 2018-19 income year and later income years.

NALI provision amendments

Updates to the reporting guidance for the following labels:

- Net non-arm's length trust distributions income
- Net other non-arm's length income

Including Outstanding LRBA amounts in Total Superannuation Balance

Updates to the reporting guidance for the following labels:

- Outstanding limited recourse borrowing arrangement amount

Anti-Detriment/Death Benefit Increase Deduction

FORMS IMPACTED | Fund | SMSF

SUMMARY

From 1 July 2019, SMSFs can no longer claim a deduction for a tax saving amount paid on the death of a member. As a result, the Death Benefit Increase Deduction label has been removed. This change will ensure consistent treatment of lump sum death benefits across all super funds.

IMPACTS

The following has been removed from the 2019-20 financial year onwards:

Fund Income Tax Return for the 2019-20 income year onwards

1. Section C Question 11 Label G 'Death Benefit Increase'
2. Guidance for Section C Question 11 Label G 'Death Benefit Increase'

SMSF annual return for the 2019-20 income year onwards

1. Section C Question 12 Label G1 'Death Benefit Increase'
2. Guidance for Section C Question 12 Label G1 'Death Benefit Increase'

Update validation for Outstanding LRBA label

FORMS IMPACTED | SMSF
SUMMARY
In the 2017 Budget the Government announced a superannuation integrity measure whereby an amount for outstanding LRBA balances would form part of an individual's TSB. This was designed to reduce the attractiveness of members manipulating their TSB by drawing down their interest and returning those moneys to their SMSF through an LRBA. This is to apply to new LRBAs from 1 July 2018 with members who have met a "nil cashing" condition of release, or all members if the LRBA is provided by an associate of the SMSF (commonly referred to as a related party loan).

An 'Outstanding limited recourse borrowing arrangement amount' label was included in the member section of the SMSF Annual Return as well as a validation to ensure the sum of these amounts did not exceed the total reported for the fund.

Due to cents being reported for the member label and the fund label being truncated, a variance of $10 is required to allow SMSFs to report the correct amounts at these labels without the front facing validation triggering.

IMPACTS
Changes to validation rules to only trigger above the $10 variance.

Property Count and Closing account balance to equal sum of accumulation and retirement labels

FORMS IMPACTED | SMSF
SUMMARY
17,700 self-managed super funds (SMSF) and their auditors were contacted in August where their 2018 SMSF annual return data indicated these SMSFs may be holding 90% or more of their retirement savings in one asset or a single asset class. In 99% of the SMSFs contacted, the asset in question was property.

Over 180,000 of SMSFs have invested 90% or more of their retirement savings in a single asset or asset class. Those SMSFs contacted were selected based on a report to government in February by the Council of Financial Regulators and the ATO. The 'Leverage and Risk in the Superannuation System' report highlighted concerns that less diversified SMSFs with LRBAs are exposed to asset concentration risk which, in the event of a fall in the asset's price, could lead to a significant loss in the value of the fund.

The ATO was concerned that these SMSF trustees may not have given due consideration to diversifying their fund's investments, and the risks associated with a lack of diversification, when formulating and reviewing their investment strategy.

Currently the fund only reports the total value of the asset class. The new labels will allow the ATO to identify the 'diversification' SMSFs have within the property asset class. Providing the number of separate properties which makes up the property asset class indicates a reduced diversification risk. This ensures the ATO has improved data for compliance tasks.

IMPACTS
Property count labels

- A new label J7 in Section H Assets and Liabilities has been added. This label will report the number of real properties your SMSF holds investments in that were held in trust as security under a Limited Recourse Borrowing Arrangement.
- The field allows the reporting of 1-999 properties

- The new field is for funds to provide a count of the combined number of properties that make up their asset values reported at:
  - Label J1 (SMSFAR322) - Limited recourse borrowing arrangements - Australian residential real property
  - Label J2 (SMSFAR344) - Limited recourse borrowing arrangements - Australian non-residential real property
  - Label J3 (SMSFAR345) - Limited recourse borrowing arrangements – Overseas real property

SAR labels S1 S2 and S3

- Various changes to validation rules when processing nil or zero dollar amounts at the above labels.

SMSF annual return auditor changes

FORMS IMPACTED | SMSF

SUMMARY

In the 2018-19FY SAR, a change was made to allow Part A qualification to be reported by SMSFs. However concerns have been raised by industry over the use of the information on whether the qualifications have been rectified, as part A qualifications cannot be rectified in many cases and therefore the question should exclude Part A. Consultation has confirmed that it is industry and the ATO's preference to limit the question relating to qualification rectification to Part B of the Audit Report only.

IMPACTS

You will be able to report 'No' at Part A qualification Label A when the audit report was qualified as a result of the auditor not being able to obtain sufficient audit evidence with respect to the SMSF's opening balances. As such, reporting whether issue/s have been rectified or not now applies to Part B qualifications only.

Updates to SMSF Independent Auditor's Report (IAR)

ATO Link

FORMS IMPACTED | IAR

SUMMARY

The self managed superannuation fund (SMSF) independent auditor's report (IAR) is an ATO approved form that is prepared annually by auditors of SMSFs prior to lodgement of the SMSF annual return (SAR). This form is used by auditors to report their opinion on whether the SMSFs financial statements conform with accounting policies and comply with the law. The trustees declaration on the SAR requires SMSF trustees to declare that 'they have received a copy of the IAR'.

The ATO reviews the form annually and makes changes as required. The changes being made reflect those requested by the relevant professional associations (CPA and CA ANZ) and their members who are users of the form. The changes have been agreed to by all stakeholders. The changes are also aimed at bringing the IAR in line with the approved auditor form that is prepared by auditors of APRA funds and is an equivalent form.

IMPACTS

N/A - The Independent Auditor's Report (IAR) form is only applicable to SMSF auditor software.

Auditor Contravention Reports (ACR) System Updates

ATO Link

FORMS IMPACTED | Auditor contravention report (NAT 11239)

SUMMARY

The introduction of the Whistleblower amendments in TAA 1953, provides that certain disclosures to the Commissioner will qualify for protection against the disclosure of the identity of the information source.

General Council advice provides these amendments, when applied literally, would capture information supplied on the Auditor Contravention Report at Section G.

To mitigate this risk of the ATO committing an offence under 14ZZW(1), SMSF segment have included a consent line at Section G - Other regulatory information.

An additional notification was included at Section H: Auditor/actuary declaration.

These inclusions have also been applied to ACR paper form and instructions.

IMPACTS

N/A – No software changes.

Changes related to Salary Sacrifice

ATO Link

FORMS IMPACTED | N/A

SUMMARY

On 14 July 2017, the Minister for Revenue and Financial Services announced that the Government would amend the SGAA to implement recommendations made by the Cross-Agency Working Group to close loopholes that could be used by employers to short change employees who choose to make salary sacrifice contributions into their superannuation accounts and released the Cross Agency Working Group's Report, Superannuation Guarantee Non-compliance.

IMPACTS

For employers that have employees in a salary sacrifice arrangement, from 1 January 2020, salary sacrificed super contributions will not:

- reduce the ordinary time earnings that your employer is required to calculate your super entitlement on
- count towards the amount of super guarantee contributions that your employer is required to make in order for them to avoid the super guarantee charge.