

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

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# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Division 7A

PRODUCTS | Company (2020) | Trust (2020) | Division 7A calculator and decision tool (2019) |  
SUMMARY

Division 7A is aimed at preventing private companies making tax-free distributions of profits to shareholders or their associates – for instance, through concessional loans, debt forgiveness or allowing shareholders to make personal use of company property.

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.

### IMPACTS

None at this time - Amendments to Division 7A have been deferred until 1 July 2020 to allow for further consultation and to refine the Governments approach to Division 7A.

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### Private health insurance reforms

PRODUCTS | N/A |  
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.

### IMPACTS

When PHI statements become optional the ATO expect individuals will place more reliance on pre-filling of PHI policy details to complete their tax return.

Health insurers will only be required to issue a PHI tax statement within 14 days of receiving a request from their client.

There are no tax return label or system changes for this measure.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Reportable tax position schedule

PRODUCTS | Company tax return | 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

#### 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.

Tax Assistant/Onvio will not be implementing these changes at this time.

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### Personal income tax plan

PRODUCTS | Income tax returns | PAYGW tables | PAYGI |  
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.

The changes are law and are currently being implemented.

The government announced changes to the Personal Income Tax Plan in the 2019-20 federal budget - *Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan*.

These changes are not yet law.

#### IMPACTS

Changes are to be delivered in three phases over the next seven years. Refer table over page for more information.

Changes have been made to the live tax estimate, the estimate summary and the audit trail in Tax Assistant/Onvio.

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## 2019 TAX CHANGES

### Current scope

From 2018-19	From 2022-23	From 2024-25
<ul style="list-style-type: none"> <li>New low and middle-income tax offset                             <ul style="list-style-type: none"> <li>Base rate: \$200</li> <li>Maximum rate: \$530</li> <li>Taper: \$200 plus 3% for TI's that exceed \$37,000 and are not more than \$48,000</li> <li>Taper: \$530 less 1.5% for TI's that exceed \$90,000</li> </ul> </li> <li>Increase top threshold 32.5% tax bracket to \$90,000</li> </ul>	<ul style="list-style-type: none"> <li>Replace low income tax offset and low and middle-income tax offset                             <ul style="list-style-type: none"> <li>Base rate: \$645</li> <li>Taper: \$645 less 6.5% for TI's that exceed \$37,000 and not more than \$41,000</li> <li>Taper: \$385 less 1.5% for TI's that exceed \$41,000</li> </ul> </li> <li>Increase top threshold for 19% bracket to \$41,000</li> <li>Increase top threshold of 32.5% bracket to \$120,000</li> </ul>	<ul style="list-style-type: none"> <li>Increase top threshold of 32.5% bracket to \$200,000 (effectively abolishing the 37% tax bracket)</li> </ul>

### New scope – assuming 2019-20 budget changes are enacted

From 2018-19	From 2022-23	From 2024-25
<ul style="list-style-type: none"> <li>New low and middle-income tax offset                             <ul style="list-style-type: none"> <li>Base rate: <b>\$255</b></li> <li>Maximum rate: <b>\$1,080</b></li> <li>Taper: <b>\$255</b> plus <b>7.5%</b> for TI's that exceed \$37,000 and are not more than \$48,000</li> <li>Taper: <b>\$1,080</b> less <b>3%</b> for TI's that exceed \$90,000</li> </ul> </li> <li>Increase top threshold 32.5% tax bracket to \$90,000</li> </ul>	<ul style="list-style-type: none"> <li>Replace low income tax offset and low and middle-income tax offset                             <ul style="list-style-type: none"> <li>Base rate: <b>\$700</b></li> <li>Taper: \$645 less <b>5%</b> for TI's that exceed <b>\$37,500</b> and not more than <b>\$45,000</b></li> <li>Taper: \$385 less 1.5% for TI's that exceed <b>\$45,000</b></li> </ul> </li> <li>Increase top threshold for 19% bracket to <b>\$45,000</b></li> <li>Increase top threshold of 32.5% bracket to \$120,000</li> </ul>	<ul style="list-style-type: none"> <li>Increase top threshold of 32.5% bracket to \$200,000 (effectively abolishing the 37% tax bracket)</li> <li><b>Reduce the 32.5% tax rate to 30%</b></li> </ul>

As a fundamental principle, assessments are assessed according to the law at the time.

Without law by 30 June 2019 we may need to issue 2019 assessments according to the existing law.

Assuming a later enactment, any previously issued assessments may need to be amended. These will not require any action from tax professionals or taxpayers.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Combined HELP measures

**PRODUCTS** | Individual tax return | Income Contingent Loans | PAYGW tax tables |  
**SUMMARY**

The Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 No. 45, 2018, if passed by Parliament, amends 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.

### IMPACTS

Standard annual changes to the repayment income thresholds and rates for HELP, SSL, ABSTUDY SSL, TSL and SFSS.

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%

From 1 July 2019 (2020 ITR), all study and training loans will be covered by one set of thresholds and rates.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### VET Debt Separation

**PRODUCTS** | Notice of Assessment (NOA) | Statement of Account (SOA) |  
**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.

#### 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)

This means from 1 July 2019, all study and training loans are covered by one set of thresholds and rates as per the combined HELP measures.

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

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

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### Shares and units

**PRODUCTS** | AIIR | Transfers of shares and units (Listed Entities) | Transfers of shares and units (Market Participants)  
**SUMMARY**

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.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### 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

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

### Business transactions through payment systems

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

#### 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 the ATO have on net payments received through an electronic payment system and who reported that information to the ATO.

#### 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.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

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.

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

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

### OECD Hybrid Model

PRODUCTS | International Dealings Schedule |

#### 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 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.

There are ~ 51 changes to the IDS in Tax Assistant/Onvio in response to this specific tax change.



# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### **Tax Integrity Package (TPRS) – Cleaning and couriers services**

#### PRODUCTS | TPAR | 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.

#### IMPACTS

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.

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### **Tax Integrity Package (TPRS) – Road freight, security, investigation, surveillance or IT services**

#### PRODUCTS | 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 announcement included developing an online for lodgment of TPAR.

#### IMPACTS

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.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Extending, increasing and expanding access to the instant asset write-off

PRODUCTS | General small business pool | Low cost small business assets (refer table below) |

#### SUMMARY

The instant asset write-off threshold has increased to \$30,000 for each asset from 7.30pm (AEDT) 2 April 2019 and the instant asset write-off has been extended to 30 June 2020.

#### IMPACTS

From 7.30pm (AEST) on 12 May 2015 until 28 Jan 2019	From 29 Jan 2019 until before 7.30pm (AEDT) 2 Apr 2019	From 7.30pm (AEDT) on 2 Apr 2019 until 30 Jun 2020
You can immediately deduct the business portion of most depreciating assets costing less than \$20,000 each (the instant asset write-off threshold).	You can immediately deduct the business portion of most depreciating assets costing less than \$25,000 each (the instant asset write-off threshold).	You can immediately deduct the business portion of most depreciating assets costing less than \$30,000 each (the instant asset write-off threshold).

Businesses with a turnover from \$10 million to less than \$50 million may be eligible for the instant asset write-off for assets purchased for less than \$30,000 each from 7.30pm (AEDT) 2 April 2019 to 30 June 2020. For assets purchased for \$30,000 or more, the general depreciation rules must be used.

Changes have been made to the General SB pool & Low-cost SB assets worksheets in Tax Assistant/Onvio.

### First home super saver scheme

PRODUCTS | IITR |

#### SUMMARY

If a taxpayer requested the release of an amount under the First home super saver (FHSS) scheme during the 2018–19 income year, they must include in their 2019 tax return:

- any assessable FHSS amount
- the tax withheld amount.

They will receive a payment summary from the ATO showing the assessable FHSS amount and tax withheld.

If they requested a release during the 2018–19 income year, they must include the amount in their 2019 tax return, even if they did not receive the amount until after 30 June 2019.

#### IMPACTS

A new label has been implemented at item 24 – Category 3 in Tax Assistant/Onvio.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Payment summary changes through Single Touch Payroll

PRODUCTS | N/A |

#### SUMMARY

If an employer reports through Single Touch Payroll they are not required to provide a payment summary to their employees.

Income statements will replace payment summaries. Employees can access their income statements through ATO online services via myGov, at any time. Employees will receive a notification from us in their myGov inbox when their income statement is 'Tax ready', so they can complete their tax return.

Employees will be able to contact the ATO for a copy of their income statement if they do not have access to myGov.

#### IMPACTS

Payment summary requirements through STP.

### SuperStream rollovers

PRODUCTS | SMSF |

#### SUMMARY

The current paper based release authorities will be digitised from March 2021 and included in Version 3 of the SuperStream Rollover message

The current work to bring SMSF rollovers into SuperStream by 30 November 2019 will be delayed to coincide with this change – providing multiple changes in one release.

If you provide SuperStream services to funds, this involves an upgrade to SuperStream Rollover standard v3.0 and the introduction of two new services to support processes prior to a rollover:

- SMSF member TICK - for the validation of SMSF member TFNs
- SMSF verification service (SVS) - for verification of SMSF details.

#### IMPACTS

Two new labels have been implemented in Tax Assistant to accommodate this change:

1. Label 7
2. Label 15C

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### 3-year Audit

#### PRODUCTS | SMSF | SUMMARY

The Government recognises that self-managed superannuation fund (SMSF) trustees appropriately face a number of regulatory requirements in administering their funds. However, the Government is committed to reducing red tape and compliance burden for SMSF trustees where suitable

The objective of the measure is to incentivise good record-keeping and compliance by SMSFs whilst maintaining system oversight and integrity.

Under this measure, audits conducted for SMSFs on a three-yearly audit cycle will cover all of the three preceding years, maintaining integrity within the SMSF sector. SMSFs that do not meet the eligibility criteria will not be eligible for a three-yearly audit cycle and will continue to be annually audited.

#### IMPACTS

None at this time - this change was not passed prior to the 2019 federal election.

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### Increase SMSF membership from 4 to 6

#### PRODUCTS | SMSF | SUMMARY

The bill makes amendments to the *Superannuation Industry (Supervision) Act 1993*, *ITAA 1997* and *Superannuation (Unclaimed Money and Lost Members) Act* to increase the maximum number of allowable members in SMSFs from four to six.

#### IMPACTS

None at this time - this change was not passed prior to the 2019 federal election.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### Downsizer contributions into superannuation

PRODUCTS | SMSF |

#### SUMMARY

The *contributing the proceeds of downsizing to superannuation* measure was one of several measures announced in the 2017-18 Budget as part of the Government's package of reforms to reduce pressure on housing affordability.

Older Australians choosing to sell their home and downsize or move from homes that no longer meet their needs are provided with the benefit of being able to contribute the proceeds from the sale of their home into superannuation.

Schedule 2 to the Bill allows an individual to use the proceeds in relation to one sale of their main residence to make contributions (downsizer contributions) of up to \$300,000 to their superannuation provider if they are 65 years of age or over and meet all the eligibility requirements.

Downsizer contributions can be made regardless of the other contributions caps and restrictions that might apply when making voluntary contributions.

#### IMPACTS

The Downsizer measure takes effect from 1 July 2018. The Downsizer contribution information must be reported in the SAR in the financial year in which the contribution is made.

From 2018-19 financial year onwards:

1. New label - "Proceeds from primary residence disposal" (to report Downsizer contribution amount)
2. New label - "Receipt date" (to report date the Downsizer contribution was made to the super fund bank account)
3. Location of the new labels- Section F 'Member information'
4. New front facing validation rules to limit the amount reported at "Proceeds from primary residence disposal" to be less than or equal to \$300,000.00

Two new labels have been implemented in Tax Assistant to accommodate this change:

- **Members Statement** - Labels H1 and H2.

# SOFTWARE ASSISTANT ONVIO

## 2019 TAX CHANGES

### LRBA & Total Super Balance (TSB)

#### PRODUCTS | 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 LRBA's 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).

If passed, the calculation of an individual's Total Superannuation Balance (TSB) will now include the new LRBA amount. SMSFs will report this new LRBA amount on the SMSF Annual return (SAR).

The TSB will continue to be used to determine eligibility for:

- the unused concessional contributions cap carry-forward
- the non-concessional contributions cap and the two- or three-year bring-forward period
- the government co-contribution
- the tax offset for spouse contributions
- SMSF or small APRA funds to determine whether they can use the segregated assets method to calculate exempt current pension income.

#### IMPACTS

- From 2018-19 financial year onwards, a new label will be added to the SMSF annual return at Section F and Section G Members information
- A new validation rule will be introduced which will trigger when the following is true:
  - Total of amounts reported at the new LRBA label 'Y' for all members is greater than the amount reported at Section H Liabilities "Borrowings for limited recourse borrowing arrangements"
  - Proposed error message: "Error – Borrowings for LRBA must not be less than the total of LRBA amounts reported against each member."

A new label has been implemented in Tax Assistant according to ATO specification requirements

- **Members Statement** – Label Y.