

## **TAXATION**

### **Treasurer's statement on economy**

Treasurer Jim Chalmers has published a statement on the economy and released Treasury's updated economic forecasts.

### **ATO focus areas for rental properties**

ATO has reminded taxpayers that rental properties is one of its four focus areas this tax time.

### **ATO pre-fill data ready to assist lodgments**

ATO has advised that much of the pre-fill data it collects from various sources is now ready to assist with tax return lodgments for 2022.

### **CPI June quarter 2022**

Australian Bureau of Statistics has released the CPI index number of 126.1 for the June quarter of 2022.

### **Bill (No 1) 2022 introduced**

Bill has been introduced to implement various measures including tax exemptions for the world cup and cyclone grants, super complaints AFCA transition, and FBT.

### **FBT exemption for electric cars: Bill introduced**

Bill has been introduced to implement the government's election commitment to provide an FBT exemption for electric cars used by employees for private use.

### **Seniors Health Card income threshold increase**

Bill has been introduced which proposes to increase the income test threshold for the Commonwealth Seniors Health Card.

## **ATO enforcement update: major GST fraud**

ATO has provided an update on the recent GST-related operations under the Serious Financial Crime Taskforce.

## **GST-free residential care services**

ATO has released an addendum to GSTR 2012/3 which deals with the GST treatment of care services and accommodation in retirement villages.

## **FINANCIAL SERVICES**

### **AFCA reports drop in complaints about inappropriate advice**

In a recent media release, the Australian Financial Complaints Authority noted a reduction in complaints about inappropriate investment advice.

### **ASIC issues first stop orders under DDO powers**

ASIC has issued interim stop orders to three financial firms in response to deficiencies in the target market determination for their financial products.

### **Draft APRA standard on operations risk and management**

APRA has issued a new draft prudential standard and discussion paper on operation risk management in banking, insurance, and superannuation.

## **SUPERANNUATION**

### **Super performance test for faith-based products**

Draft legislation has been released proposing to allow APRA to consider the religious affiliation of a super fund when applying the annual investment performance test.

### **Super annual members' meetings: draft regs**

Draft regulations have been released proposing to amend the information that must be provided by an APRA regulated super fund.

### **Super investment governance: revisions to SPS 530 finalised**

APRA has released its final revisions to Prudential Standard SPS 530 together with a letter to RSE licensees addressing industry concerns.

### **Taxation of military invalidity benefits and super payments**

Draft legislation has been released proposing to amend the law to prevent adverse income tax outcomes for certain veterans adversely impacted by a Court decision.

## **REGULATOR NEWS**

### **Small businesses warned about payment redirection scams**

ASIC has urged small businesses to be wary of payment redirection scams following a report by the ACCC.

### **Fake tax agent ordered to stop lodging returns**

TPB has reported that a Brisbane woman has been ordered by the Federal Court to stop preparing and lodging income tax returns for a fee while not registered.

### **New domain name changes could leave your business or organisation at risk**

From 24 March 2022, anyone with a local connection to Australia (including businesses, associations and individuals) will be able to register [a new category of domain name](#). These shorter simpler domain names will end in .au rather than .com.au, .net.au, .org.au, .gov.au or .edu.au.

## **TAXATION**

### **Treasurer's statement on economy**

Treasurer Jim Chalmers has [published](#) a Statement on the Economy and released Treasury's updated economic forecasts revising down growth to 3% for 2022-23 (and 2% for 2023-24). Dr Chalmers said the Government's economic plan aims to lift the speed of the economy by helping with the costs of living, growing wages and fixing supply chains.

While the final Budget outcome for 2021-22 (to be published soon) is likely to show a "dramatically better than expected outcome" the Treasurer warned that this "temporary improvement" in tax receipts may not persist over time. A full set of fiscal forecasts will be ready for the Budget in October 2022.

### **ATO focus areas for rental properties**

The ATO has issued a [release](#) highlighting rental properties as one of its four focus areas this tax time. The ATO urged rental property owners to ensure they carefully review their records before declaring income or claiming deductions. The release highlights common pitfalls, including the importance of keeping adequate records.

Assistant Commissioner Tim Loh noted that the ATO's Random Enquiry Program found that nine out of 10 tax returns that reported rental income contained at least one error. This is despite most of those property owners being assisted by a registered tax agent. While tax agents can only work with the information they gather from clients, the ATO said it expects agents to ask a few extra questions to ensure their client's return is completed correctly.

## ATO pre-fill data ready to assist lodgments

The ATO has [advised](#) that much of the pre-fill data it collects from employers, banks, private health insurers, share registries and other institutions, is now ready to assist with tax return lodgments for 2022.

While this pre-fill data makes lodging a return easier, Assistant Commissioner Tim Loh said taxpayers and their tax agents still need to check that the details are accurate and manually include any other information that hasn't been pre-filled. For example, income from rentals, side hustles and the Pandemic Leave Disaster Payment from Services Australia, need to be manually added.

## CPI June quarter 2022

The Australian Bureau of Statistics (ABS) has [released](#) the CPI index number of 126.1 for the June quarter 2022 (up 1.8%). This CPI index number is used to index certain tax, superannuation and FBT amounts. Over the year to the June 2022 quarter, the CPI is now running at 6.1%.

## Bill (No 1) 2022 introduced

The [Treasury Laws Amendment \(2022 Measures \(No 1\) Bill 2022](#), has been introduced and proposes to implement the following measures:

- **CYCLONE SEROJA GRANTS TAX-FREE:** non-assessable and non-exempt income (NANE) status will be provided for grants received by small businesses and primary producers impacted by Cyclone Seroja (April 2021) under Category C of the Disaster Recovery Funding Arrangements 2018. **Date of effect:** Applicable to grants paid in 2021-2022 and later income years.
- **FIFA WOMEN'S WORLD CUP:** income tax and withholding exemptions will be provided for FIFA and its subsidiary, FWWC2023 Pty Ltd, for activities associated with the 2023 FIFA Women's World Cup. **Date of effect:** The tax exemption will apply from 1 July 2020 to 31 December 2028, provided the income (ordinary or statutory) relates to the 2023 FIFA Women's World Cup.
- **SUPER COMPLAINTS AFCA TRANSITION:** amendments associated with the Australian Financial Complaints Authority (AFCA) replacing the Superannuation Complaints Tribunal (SCT). **Date of effect:** Day after Royal Assent.

- FBT: the direct link between the eligibility for the FBT rebate and access to the FBT exemption for hospital employees will be removed to restore access to the exemption to certain tax exempt not-for-profit entities. **Date of effect:** Applicable from 2017-18 FBT year.
- OTHER AMENDMENTS: Registries modernisation; Financial Services and Credit Panel (FSCP) within ASIC; and social security provisions in relation to the commutation of certain capped defined benefit income streams. **Date of effect:** Various.

### FBT exemption for electric cars: Bill introduced

The [Treasury Laws Amendment \(Electric Car Discount\) Bill 2022](#), has been introduced in the House of Reps, proposes to implement the Government's election commitment to provide an FBT exemption for electric cars used by employees for private use. Additionally, to be eligible for this FBT exemption (referred to as an Electric Car Discount) the value of the car at the first retail sale must be below the luxury car tax threshold for fuel efficient cars (ie \$84,916 for 2022-23).

The FBT exemption relates to car fringe benefits and will only apply to cars that are "zero or low emissions vehicles" (ie battery electric vehicles; hydrogen fuel cell electric vehicles; and plug-in hybrid electric vehicles). A car that has an internal combustion engine will not be eligible unless it is able to be fuelled by a battery that can be recharged by an off-vehicle power source (ie a plug-in hybrid car). Electric car fringe benefits that are exempt from FBT will still be counted towards an employee's reportable fringe benefits amount for each FBT year.

**Date of effect:** The Bill will apply to fringe benefits provided on or after 1 July 2022 for eligible electric cars that are first held and used on or after 1 July 2022. Note that an electric car ordered prior to 1 July 2022, but not delivered until after 1 July 2022 will be eligible for the FBT exemption. A second-hand electric car may also qualify provided that it was first purchased new on or after 1 July 2022.

### Seniors Health Card income threshold increase

The [Social Services and Other Legislation Amendment \(Lifting the Income Limit for the Commonwealth Seniors Health Card\) Bill 2022](#), has been introduced and proposes to increase the income test threshold for the CSHC to \$90,000 for singles (up from \$57,761) and 144,000 for couples (up from \$92,416). The thresholds will be

increased from Royal Assent. The indexation provisions for the new limits will not resume until 20 September 2023.

## **ATO enforcement update: major GST fraud**

The ATO has [reported](#) that the Serious Financial Crime Taskforce (SFCT) has undertaken further enforcement action in respect of 40,000 individuals suspected of being involved in a major GST fraud involving fake businesses to claim false refunds. The ATO said search warrants have been executed in relation to five suspected offenders located in Sydney as part of Operation Protego. This follows action last month where raids were executed against 19 individuals.

ATO Deputy Commissioner and Chief of the SFCT, Will Day, said the ATO knows who has lodged a BAS and who has created a fake business. Mr Day said it is vital for anyone who has given their myGov details to a criminal to contact the ATO so it can assist to protect the individual's identity from being used to commit further crimes in their name. Any individual that believes their identity has been compromised should contact the ATO - Tel: 1800 467 033. The SFCT is progressively sharing information relating to all individuals identified as participating in this fraud, with the details of around 29,000 individuals provided the Australian Criminal Intelligence Commission (ACIC) to date.

## **GST-free residential care services**

The ATO has released an [Addendum to GSTR 2012/3](#), its ruling on the GST treatment of care services and accommodation in retirement villages and privately funded nursing homes and hostels.

One of the requirements for residential care services to be GST-free is that the services must be provided to aged or disabled persons in a residential setting. Under s 38-25(3A) GST Act, services are deemed to be provided in a residential setting if they are provided to a resident of a serviced apartment in a retirement village and the retirement village operator has agreed in writing to provide daily meals and heavy laundry services to all of the residents of the apartment. The Addendum amends GSTR 2012/3 to broaden the circumstances in which an operator "provides daily meals" for s 38-25(3A) purposes.

**Date of effect:** 27 July 2022.



## **FINANCIAL SERVICES**

### **AFCA reports drop in complaints about inappropriate advice**

The Australian Financial Complaints Authority (AFCA) [received](#) 72,358 complaints involving banks, insurers, super funds, investment firms and financial advisers for 2021-22 (up 3%). Successful complainants secured a total of \$208m in compensation through AFCA's dispute resolution processes in 2021-22 (down 13%).

AFCA's Chief Ombudsman, David Locke, said there was a sharp rise in complaints about general insurance due to recent natural disasters. Complaints about delays in claims handling were also a key issue in home building, home contents and motor vehicle insurance disputes. On a positive note, there was a reduction in complaints about inappropriate investment advice and failing to act in a client's best interests.

### **ASIC issues first stop orders under DDO powers**

ASIC has [issued](#) interim stop orders to three financial firms in response to deficiencies in the target market determination (TMD) for their financial products. These action represent ASIC's first use of the stop order powers under the design and distribution obligations (DDO).

The interim stop orders prevent Responsible Entity Services Limited (RES) and two companies in the UGC Global Group (UGC) from issuing relevant managed investment scheme interests or shares to retail investors or providing general advice for such investments. The stop order is valid for 21 days unless revoked.

### **Draft APRA standard on operations risk and management**

APRA has issued a new draft prudential standard ([CPS 230](#)) and [discussion paper](#) on operational risk management in banking, insurance and superannuation. The draft standard proposes to set out minimum standards for managing operational risk, including updated requirements for business continuity and the management of service providers. Draft CPS 230 will apply from 1 January 2024.



## **SUPERANNUATION**

### **Super performance test for faith-based products**

The Government has released [exposure draft legislation](#) proposing to implement its election commitment to allow APRA to consider the religious affiliation of a super fund when applying the annual investment performance test.

The draft legislation will amend the SIS Act to provide a supplementary annual performance test for a "faith-based product" (ie a product with an investment strategy that accords with faith-based principles). Trustees must apply to APRA for faith-based product status between 1 February of the prior financial year and 31 January of the financial year. Trustees will be required to certify that the faith-based investment strategy has been included in regulated disclosures. The application must also set out one or more benchmark indices APRA could use to test the product's performance.

**Date of effect:** The Draft Bill will commence on assent with faith-based status taken into account from the 2022-23 performance test.

**Submissions** are due by 16 August 2022.

### **Super annual members' meetings: draft regs**

The Government has released [Exposure Draft Regulations](#) proposing to amend the information that must be provided by an APRA regulated super fund with a notice for an annual members' meeting.

The Draft Regs will remove the requirement to disclose in the meeting notice an itemised list for the categories of expenses, being: (i) promotion, marketing and sponsorship expenses; (ii) political donations; (iii) payments to industrial bodies; and (iv) related party payments. Instead, RSE licensees will be required to disclose an "aggregate figure" for each of these 4 categories of expenses. The Draft Regs will also make amendments to remove the potential for double-counting of political donations where the particular donation aligns with more than one category of expense. The definition of "related party" will also be aligned with the definition in AASB 124.

**Date of effect:** will apply in relation to a notice of an annual meeting for a year of income for an RSE if: (i) the notice is given on or after the commencement of the Regulations; and (ii) the year of income ends on or after 30 June 2022.

**Submissions** are due by 28 July 2022.

### **Super investment governance: revisions to SPS 530 finalised**

APRA has released its final revisions to [Prudential Standard SPS 530 \(Investment Governance\)](#), together with a [letter](#) to RSE licensees addressing industry concerns raised during consultation. The key changes to SPS 530 seek to enhance investment stress-testing, valuations and liquidity management. RSE licensees are encouraged to undertake a stress testing programme at least annually.

To assist with the implementation of revised SPS 530, APRA said it plans to release draft Prudential Practice Guide SPG 530 (Investment Governance) and draft SPG 531 (Valuations) for consultation later in 2022. APRA intends that draft SPG 531 will require valuation frequency and monitoring to be at least quarterly.

**Date of effect:** SPS 530 will commence on 1 January 2023.

### **Taxation of military invalidity benefits and super payments**

The Government has released [exposure draft legislation](#) proposing to amend the law to prevent any adverse income tax outcomes for certain veterans adversely impacted by the decision in *FCT v Douglas* [2020] FCAFC 220. The Government noted that many veterans have benefited from Douglas which held that a lump sum payment in arrears of certain military invalidity benefits in the Defence Force Retirement and Death Benefits (DFRDB) and Military Superannuation Benefits (MSB) schemes are super lump sums (and subject to concessional tax). However, certain veterans were adversely impacted.

The draft legislation proposes to introduce a non-refundable tax offset to effectively reverse any additional tax liability for certain recipients of benefits paid from the MSB and DFRDB schemes who have been adversely impacted by Douglas. Fortnightly withholding tax will also be adjusted to include the impact of the new offset. The draft Bill will also extend these changes to spouse and children's pensions paid following the death of a member of a DFRDB or MSB scheme.

**Date of effect:** The amendments will apply retrospectively and prospectively to all schemes (other than invalidity benefits and death benefits for beneficiaries of invalidity pensioners paid from the DFRDB and MSB schemes that commence on or after 20 September 2007).

**Submissions** are due by 5 August 2022.

## **REGULATOR NEWS**

### **Small businesses warned about payment redirection scams**

ASIC has [urged](#) small businesses to be wary of payment redirection scams following a [report](#) by the Australian Competition and Consumer Commission (ACCC) showing that \$227 million was lost to these scams in 2021. ASIC has [information](#) on how small businesses can protect themselves from these scams.

### **Fake tax agent ordered to stop lodging returns**

The Tax Practitioners Board (TPB) has [reported](#) that a Brisbane woman has been ordered by the Federal Court to stop preparing and lodging income tax returns for a fee while not a registered tax agent. The TPB said the Court order will remain in place until its application for penalties and a final injunction is heard by the Court.

### **New domain name changes could leave your business or organisation at risk**

All Australian businesses will have until 20 September to reserve their .au equivalent domain name, then it becomes available to the general public.

Opportunistic cybercriminals could register your .au domain name in an attempt to impersonate your business.

### **How to protect yourself**

To help protect your business from opportunistic cybercriminals, the Australian Cyber Security Centre (ACSC) recommends that all Australian businesses with

existing domain names register their .au equivalents before 20 September 2022. If a business does not reserve their .au equivalent direct domain name during this six-month period, that name will become available to the public on a first come, first served basis.

You can reserve your .au domain name by visiting an [auDA accredited registrar](#).

Further information on these changes and the registration process is available on [auda.org.au/au-domain-names](https://auda.org.au/au-domain-names):

- [About .au Domain Names](#)
- [The .au Direct Launch](#)
- [The Priority Allocation Process](#)