

TAXATION

Pensioner work bonus increase announced

Government has announced changes to work bonus for pension recipients and other changes affecting income support recipients.

Expenses associated with holding vacant land

ATO has issued a ruling that outlines the ATO's practical compliance approach on when deductions will be denied in relation to holding vacant land.

Deductibility of self-education expenses

ATO has issued a draft ruling which considers the deductibility of self education expenses under s 8-1 of the ITAA 1997.

Trust reimbursement agreements: ATO guidance updated

ATO guidance on trust reimbursement agreements has been updated for Full Federal Court decisions.

Alternative mechanism to correct GST and fuel errors

ATO has registered two legislative instruments providing an alternative mechanism to allow errors made in earlier periods to be corrected in a later GST or fuel tax return.

ATO expanding client-to-agent linking to more businesses

The ATO have said that 'from 13 November 2023, client-to-agent linking will apply to all types of businesses with an ABN excluding sole traders. This includes entity types such as companies, trusts, partnerships, superannuation funds and not-for-profit entities'.

FINANCIAL SERVICES

Financial advice registration requirement extended

ASIC has registered an instrument that puts in place further interim measures to delay the requirement for relevant providers to be registered with ASIC.

ASIC reminds licensees to align remediation procedures

ASIC has issued a release calling on Australian financial services and credit licensees to strengthen their remediation procedures in line with ASIC's guidance.

SUPERANNUATION

Proposed enhancements for better member outcomes in super

APRA has issued the discussion paper that proposes reforms to a Prudential Standard to drive better outcomes for super members.

SUSTAINABILITY

Sustainability Reporting Update and IPA Advocacy

The sustainability reporting landscape gains more clarity with a number of key documents issued in Australia and internationally. We provide an update on the issued documents, IPA's corresponding advocacy activities, and what it means for our members.

REGULATOR NEWS

ASIC News

Updates from ASIC in the past week including media releases, news, articles and speeches.

TAXATION

Pensioner work bonus increase announced

As part of the release of the [Employment White Paper](#), the Government has [announced](#) changes to the work bonus for pension recipients. Pending the passage of legislation, beginning 1 January 2024, all new pension entrants over Age Pension age and eligible Veterans will have a starting Work Bonus income bank balance of \$4,000 rather than \$0, and existing and new recipients will retain the current elevated maximum Work Bonus balance limit of \$11,800 rather than \$7,800.

The Government said that the proposed change will mean eligible recipients can earn more from work before their pension is affected, broadening their choices and increasing flexibility.

The announcement also includes changes affecting income support recipients.

Expenses associated with holding vacant land

[Ruling TR 2023/3](#) discusses the operation of s 26-102 of the ITAA 1997, which denies deductions for costs relating to holding vacant land. However, this is subject to various exemptions (for business use, exceptional circumstances, primary producers and institutional investors).

Having regard to the specific wording of s 26-102(1), the ATO says that - in the absence of an exemption - three tests determine whether the section applies to a land holding: Is there a substantial and permanent (ie fixed and enduring) structure on the land? If such a structure exists, is it in use or available for use? If such a structure is available for use, is it independent of and not incidental to the purpose of any other structure, or proposed structure, on the land?

The ruling includes 15 examples and practical compliance approaches for two situations - where residential premises are unavailable for lease, hire or licence for short periods, and to determine if the lessee of vacant land uses it to carry on a business.

Date of effect: 1 July 2019. TR 2023/3 finalises TR 2021/D5 and is generally similar to the draft.

Deductibility of self-education expenses

[Draft Ruling TR 2023/D1](#) considers the deductibility of self-education expenses under s 8-1 of the ITAA 1997. It consolidates and updates the views expressed in the previous rulings on the matter, [TR 92/8](#) and [TR 98/9](#), both of which were withdrawn on 26 September 2023.

The ATO's draft approach is that self-education expenses are incurred in gaining or producing an individual's assessable income if one or both of the following principles apply:

1. the person's income-earning activities are based on the exercise of a skill or some specific knowledge, and the self-education enables them to maintain or improve that skill or knowledge;
2. the self-education objectively leads to, or is likely to lead to, a future increase in the person's income from their current income-earning activities.

Self-education expenses are not incurred in gaining or producing assessable income if any of the following exclusions applies:

1. the self-education will enable the person to get employed, obtain new employment or open up a new income-earning activity (in business or in their current employment);
2. income-earning activities to derive assessable income are not being undertaken at the time the expenses are incurred.

The draft also discusses apportionment and the types of expenditure that may be deductible as a self-education expense.

Proposed date of effect: retrospective.

Comments are due by 27 October 2023.

Trust reimbursement agreements: ATO guidance updated

The ATO has issued updated versions of [TR 2022/4](#) and [PCG 2022/2](#), its guidance on trust reimbursement agreements (s 100A of the ITAA 1936).

It may be recalled that the ATO chose to finalise these documents at the end of last year, even though the Full Federal Court was due to hand down its decisions in two s 100A cases - FCT v Guardian AIT Pty Ltd ATF Australian Investment Trust [2023] FCAFC 3 (which the ATO lost) and B&F Investments Pty Ltd ATF the Iluka Park Trust v FCT [2023] FCAFC 89 (which the ATO won). The ATO says that while these decisions "don't substantially alter" its views on s 100A, extensive amendments have been made to TR 2022/4.

The main amendments concern the parties to a reimbursement agreement. The ATO says that the parties can include advisers who formulate the documentation and implement the agreement with the knowledge and assent of one or more parties to the transactions (or the party's controllers, where relevant). Further, even if an adviser is not a party to the agreement, their purpose may, in certain cases, be imputed to a party.

Minor amendments have been made to PCG 2022/2, which sets out the ATO's compliance approach.

Date of effect: the amendments apply retrospectively.

Alternative mechanism to correct GST and fuel errors

The ATO has registered two legislative instruments providing an alternative mechanism to allow errors made in earlier periods to be corrected in a GST or fuel tax return lodged in a later tax period:

- [A New Tax System \(Goods and Services Tax\) \(Correcting GST Errors\) Determination 2023](#) - allows taxpayers, in specified circumstances, to correct GST errors that were made in working out their net amount for an earlier tax period in a later tax period; and
- [Fuel Tax \(Correcting Fuel Tax Errors\) Determination 2023](#) - allows taxpayers, in specified circumstances, to correct fuel tax errors that were made in working out their net fuel amount for an earlier tax period in a later tax period.

The instruments replace Goods and Services Tax: Correcting GST Errors Determination 2013 and Fuel Tax: Correcting Fuel Tax Errors Determination 2013, respectively.

Date of effect: Both Instruments commences on 26 September 2023.

ATO expanding client-to-agent linking to more businesses

The ATO have also said that 'The security of your clients' tax and super information is very important to us. Recent data breaches in Australia highlight the urgent and growing need to protect the identities of Australians from identity-related theft. Identity crime is disruptive and distressing for those who fall victim. Tax agents, BAS agents and payroll service providers are not immune to fraud and identity theft.

That's why we're further strengthening the security of our online services by adding an extra control into the process before you can link to new clients or change authorisations for existing clients.

Clients will need to nominate an agent in online services for business when they change an agent or increase the authorisation they currently have agreed with their agent. Existing client to agent arrangements will not require a nomination by clients unless they change the authorisation.

Client-to-agent linking currently applies to public and multinational businesses, businesses in the Top 500 privately-owned wealthy groups and government entities.'

Further, the ATO have said that 'We're committed to supporting you and your clients through this change so find out more at [Client-to-agent linking in online services](#). We'll continue to publish updates to our website in preparation for the next deployment in November 2023.'

FINANCIAL SERVICES

ASIC reminds licensees to align remediation procedures

ASIC has issued a [release](#) calling on Australian financial services and credit licensees ("licensees") to strengthen their remediation procedures in line with ASIC's guidance in [Regulatory Guide 277](#) Consumer Remediation ("RG 277").

From a recent review of the remediation policies and procedures of "some large financial institutions", ASIC observed inconsistencies with RG 277 that could lead to poor outcomes for customers. Key findings were shared as part of the release.

ASIC warns that going forward, it will generally not oversee remediation programs but will consider regulatory action where licensees fail to deliver fair and timely remediation to affected consumers.

SUPERANNUATION

Proposed enhancements for better member outcomes in super

APRA has issued the discussion paper - [Strategic and transfer planning: enhancing member outcomes](#). The Paper proposes reforms to Prudential Standard SPS 515 Strategic Planning and Member Outcomes ("SPS 515") to drive better outcomes for superannuation members.

The proposed enhancements to SPS 515 include revisions to:

- ensure expenditure requirements better align with the best financial interests duty and, in relation to the retirement phase, to support the retirement income covenant;
- reflect supervisory observations on areas where the industry needs to "lift the bar", with a particular focus on management of financial resources; and
- improve the management of risks to members being transferred across funds, in the context of heightened transfer activity.

The Paper also mentions APRA's plan to retire its guidance circular on the Sole Purpose Test as it expects superannuation trustees are now well placed to make decisions consistent with their legislative duties compared to 20 years ago when the circular was designed.

Submissions are due by 21 December 2023. APRA expects to finalise the SPS 515 framework by mid-2024, ahead of its expected commencement on 1 January 2025.

SUSTAINABILITY

Sustainability Reporting Update and IPA Advocacy

The sustainability reporting landscape gains more clarity with a number of key documents issued in Australia and internationally. We provide an update on the issued documents, IPA's corresponding advocacy activities, and what it means for our members *more*

More

Sustainability Reporting Update and IPA Advocacy

The sustainability reporting landscape gains more clarity with a number of key documents issued in Australia and internationally. The recently issued documents are:

- Treasury's second Consultation Paper that proposes climate disclosure requirements for Australia
- International Sustainability Standards Board's (ISSB) first two sustainability standards, and
- Australian Accounting Standards Board's (AASB) development of a climate exposure draft and proposed due process and framework documents.

Below is a summary of the issued documents, IPA's corresponding advocacy activities, and what it means for our members.

Treasury second Consultation Paper (CP)

Australian Treasury issued the second [Consultation Paper \(CP\) Climate-related financial disclosure in June 2023](#). This is a crucial document for Australia, as it specifies the requirements of **which** entity should disclose climate information, **what** and **where** the information should be disclosed and **when** these mandatory disclosures are required, along with the level of assurance of the information. Treasury is likely to finalise the proposals as a Position Paper in the coming months.

IPA, in its submission to Treasury, supports the majority of the CP's proposals, which incorporated stakeholder feedback on the first CP (issued in December 2022). The CP provides a framework that is workable and proportionately targeted. One of the key proposals

is the phased approach in implementing the mandatory climate disclosures based on an entity's size. The CP requires larger entities to initially disclose climate information (commencing 2024-25) and extend progressively to smaller entities over a three-year period (by 2027-28). The proposed application timeframes are simplified in the table below:

1. Entities reporting under Chapter 2M Corporations Act and fulfil 2 of the 3 thresholds of employee, assets and revenue below:				
	Timing (from)	Employee numbers	Consolidated gross assets (\$ or more)	Consolidated revenue (\$ or more)
Group 1	2024-25	> 500	\$1 billion	\$500 million
Group 2	2026-27	> 250	\$500 million	\$200 million
Group 3	2027-28	> 100	\$25 million	\$50 million
AND				
2. The entities are a 'controlling corporation' under the <i>National Greenhouse Energy Reporting (NGER) Act</i> and meet the NGER publication threshold				

The relevant timelines for IPA members are from 2027/28 with some members beginning earlier in 2026/27. The delay in mandatory disclosure for smaller entities is important for IPA members, who predominately operate in the small-to-medium enterprise (SME) sector. The delay enables our members to acquire the necessary resources, capacity and expertise to implement and/or provide services relating to climate. The staggered timeframe also allows the profession to build up its capabilities at a workable pace. However, some of the disclosures, such as scenario analysis in IFRS S2 (see below) would still be complex and challenging for SMEs. IPA has therefore advocated for the ISSB to simplify the requirements for SMEs and develop guidance by the ISSB or the marketplace to assist SMEs in performing the analysis.

ISSB issues IFRS S1 & S2

The ISSB issued, in June 2023, the first two IFRS Sustainability Disclosure Standards for application: S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate-related Disclosures*.

At a high level, IFRS S1 requires an entity to disclose information about its risks and opportunities that is useful to the primary users of the general purpose financial report (GPFR) in making decisions to provide resources to the entity. IFRS S1 essentially requires the disclosure of all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cashflows, its access to finance or cost of capital over the short, medium and long term. The standard also prescribes how the entity should prepare and report such information by setting general requirements for the content and presentation of the disclosures.

While IFRS S1 sets out the general requirements for sustainability disclosures, IFRS S2 prescribes the disclosures specifically for climate. That is, IFRS S2 requires an entity to disclose information about its climate-related risks and opportunities that are useful to the primary users of the GPFR. This includes disclosing information on the entity's:

- **governance** processes, controls and procedures that it uses to monitor, manage and oversee climate-related risks and opportunities
- **strategy** for managing climate-related risks and opportunities
- **risk management**, ie the entity's processes used to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how these processes are integrated into and inform the entity's overall risk management processes and
- **metrics and targets** for understanding the entity's performance relating to climate-related risks and opportunities, including progress towards any targets it sets or is required by law or regulation. This requires the disclosure of greenhouse gas (GHG) emissions classified as:
 - Scope 1 – GHG emissions from sources the entity owned or controlled
 - Scope 2 – indirect GHG emissions generated or purchased by the entity and
 - Scope 3 – indirect GHG emissions (that are not included in Scope 2) that occur in the value chain of an entity. This will require the reporting entity to obtain information from entities in its value chain, including SMEs for its climate disclosure in 2024/25. Scope 3 is also a complex and involved disclosure.

AASB developing climate exposure draft and framework documents

To implement climate disclosures in Australia, the AASB is developing a Climate Exposure Draft (ED) based on IFRS S1 and S2. The ED will be issued in October 2023 for a 90-day comment (by January 2024) and finalised as a standard in June 2024 for application.

The AASB will also issue, in the coming months, the framework documents *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* and *AASB Sustainability Reporting Standard-Setting Framework* for public consultation. The documents outline the due process and standard-setting frameworks specific to sustainability reporting.

Impact for IPA members

Sustainability reporting and specifically climate-related disclosures are likely to affect all entities in one way or another – with mandatory application of IFRS S1 and S2 for larger entities by 2024/25 and extending to smaller entities by 2027/28. Entities (including SMEs) in the value chain for the larger entities will need to start gathering GHG emission information to input into the larger entities' Scope 3 emissions disclosure. Therefore, it is important that IPA members monitor the developments and assess their implications for their entity and clients.

In the meantime, IPA will continue to advance its position that while we support aligning Australian sustainability standards with those of ISSB, the standards must be scalable and simplified for SMEs that are proportionate to the size and complexity entity, along with guidance to assist SMEs in their implementation.

IPA will also, in the coming weeks, publish a survey to seek feedback on how to best assist its members in preparing and applying the sustainability reporting requirements.

REGULATOR NEWS

ASIC news

ASIC has released the following updates in its Newsroom section:

- [28 September 2023 - MEDIA RELEASE 23-264MR ASIC obtains over \\$700,000 in penalties for financial reporting failures](#)
- [28 September 2023 - MEDIA RELEASE 23-263MR ASIC remakes sunseting legislative instruments on takeovers, compulsory acquisitions and relevant interests](#)
- [27 September 2023 - MEDIA RELEASE 23-262MR Company auditor suspended for 12 months over deficient audits](#)
- [27 September 2023 - MEDIA RELEASE 23-261MR Fintech company pays penalties for crypto product representations](#)
- [26 September 2023 - MEDIA RELEASE 23-260MR ANZ penalised \\$15 million for misleading customers about available funds](#)
- [25 September 2023 - NEWS ITEM ASIC calls on licensees to strengthen remediation procedures](#)
- [25 September 2023 - MEDIA RELEASE 23-259MR ASIC disqualifies Philip Whiteman from managing corporations for maximum five years after engaging in illegal phoenix activity](#)
- [22 September 2023 - MEDIA RELEASE 23-258MR NAB penalised \\$2.1 million for unconscionable conduct over account fees](#)