



*Dedicated to a better Brisbane*

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### **Third party reporting**

Thank you for the opportunity to comment on the Discussion paper "Improving tax compliance-enhanced third party reporting, pre-filling and data matching."

As a general comment, Brisbane City Council (BCC) is already familiar with some of the issues associated with the data matching project. In December 2013, BCC was approached by the ATO to provide data on payments of grants and payments to contractors for 2011/12 and 2012/13 as part of the data matching project. Following negotiations on the type of data and its availability, the ATO issued BCC with section 264 notices to furnish the agreed data. That data is in the process of being supplied to the ATO.

BCC is currently implementing a new financial system, SAP, in stages. The previous financial systems did not capture the data in a format that would readily satisfy the ATO data matching requirements. We are still working with SAP on general implementation issues and it is not clear at this stage how the third party reporting measures can be processed through SAP.

In relation to the Discussion Paper consultation questions at "2.4 Government grants and payments":

*What are your existing government grant and payment-related reporting obligations? Do you currently report much of this information to other Government agencies? How could these obligations be modified to minimise your compliance costs?*

- BCC's reporting requirements on grants are set out to the City of Brisbane Regulation 2012. Under s181, BCC's annual report must contain a summary of expenditure on grants to community organisations and list the names of community organisations that are allocated amounts from councillor's discretionary funds. BCC has a number of other grant programs,

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such as the Lord Mayor's Young and Emerging Artists Fellowships which are not required to be specifically listed in the annual report but are listed on BCC's corporate website.

- BCC is under no obligation to report payments to contractors or consultants apart from the section 264 notices issued by the ATO.

*Would it be feasible to collect all the information sought by the ATO? Are there any other entities that collect some, or all, of this information?*

- BCC is not aware of any other entities that collect this information.
- BCC would need to modify its systems and procedures to collect the information at the level and in a format required by the ATO.
- The use of the ATO's business industry codes would facilitate the identification of the type of payees required. These codes are already required to be shown on relevant tax returns and schedules. However, the codes would need to be revised to meet the specific information sought in the data matching program. There would also be practical issues in collecting and agreeing the relevant codes with payees as well as adapting systems to the code input and reporting .
- We believe that there are significant issues in requesting tax file numbers or date of birth information. Very few of BCC's grants go to organisations or individuals who don't hold an ABN . Where an ABN is not available, the grantee is asked to provide a Statement by Supplier as set out in the GST legislation.
- BCC would need to discuss the specific information requirements with its financial software supplier, SAP.

*Can your systems distinguish between taxable payments/grants and tax-exempt payment/grants? Have you sought advice from the ATO about these payments or grants in the past and how has this worked in practice? If not, what support could the ATO provide to assist you in determining these consequences?*

- There has been no need for BCC to distinguish between taxable payments/grants and tax-exempt payment/grants in terms of income tax. However, BCC's processes and systems record any GST liabilities incurred in payments to contractors or grantees.
- BCC has a strong relationship with the ATO and from time to time may contact the ATO to clarify the GST treatment of certain grants particularly those from State and Commonwealth agencies.

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*What would constitute the bulk of your compliance costs (implementation or ongoing) in complying with these reporting obligations? Would a more frequent reporting obligation (such as quarterly or monthly) impose significantly more ongoing compliance costs than an annual reporting obligation?*

- Implementation costs could be significant in terms of systems and process modifications. For example the Discussion Paper notes that the ATO would need to receive the payee's tax file number or date of birth. This information is not captured in BCC systems and processes at the moment and its collection would require substantial changes and contact with payees.
- A more frequent reporting obligation imposes a further administrative burden on payers and it is difficult to see any advantage to the ATO or to payers in more than annual reporting.

*Is a start date of 1 July 2014 feasible? If not, how long would you need to develop any necessary system changes?*

- We believe that a start date of 1 July 2014 is not feasible, given the uncertainty on the final design of the reporting measures, the need for software suppliers to provide reporting solutions and the need for payers to modify processes.
- Brisbane City Council has been working strenuously with representatives from the ATO and our major superannuation fund to comply with the requirements of Australian Government's SuperStream reforms which become effective on 1 July 2014. In addition, Council is mid-way through the implementation of a significant organisation wide business systems change which would restrict its ability to comply with any proposed third party reporting requiring implementation on 1 July 2014.
- A start date of 1 July 2015 for 3<sup>rd</sup> party data matching is more practical and realistic.

*Are there any other impediments to the ATO receiving or using this information?*

- There appears to be little public awareness at this stage on the third party reporting measures. The ATO will need to mount a publicity campaign to explain the need for payees to supply additional information such as tax file numbers or birth dates.

We would welcome the opportunity to discuss this submission with you further.

Yours sincerely



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