TAXATION

Final Budget outcome 2019-20

Treasurer has released the Final Budget Outcome for 2019-20 recording an underlying cash deficit of $85.3bn for the general government sector.

ATO administrative treatment of tax cuts

ATO has advised when it'll publish updated tax withholding schedules in relation to the 2020 Budget announcement to bring forward Stage two tax cuts.

Budget personal tax cuts etc Bill awaits Assent

Bill containing the 2020 Federal Budget proposal to bring forward tax cuts, among other things, has passed all stages without amendment and awaits Assent.

JobMaker hiring credit – Bill introduced

Bill to implement the 2020 Budget announcement to introduce a JobMaker Hiring Credit has been introduced in the House of Reps.

Labor's Budget reply

The Opposition leader has given his 2020 Budget Reply speech, in it he announced Labor's childcare plan and Made in Australia policy.

WFH: shortcut rate extended

ATO has extended the "shortcut" rate for claiming work-from-home running expenses until 31 December 2020.

ATO interest payments to taxpayers

ATO has issued an updated version of its Practice Statement which deals with circumstances in which the Commissioner will be liable to pay an amount of interest.

Government digital business plan announced

Government has announced a JobMaker Digital Business Plan to support businesses to take advantage of digital technologies.

Qantas JobKeeper case

Federal Court has held Qantas cannot use earnings paid to an employee in arrears to reduce the amount needed to meet the JobKeeper minimum fortnightly amount.

Man charged with defrauding Services Australia payments

AFP have arrested a 33-year-old Sydney man and charged him with multiple fraud offences for allegedly redirecting Commonwealth payments.

JobKeeper postcode data released by Treasury

Treasury has released JobKeeper postcode data for organisations that had applications processed for the JobKeeper payment.

SA: further payroll tax relief

The SA government has announced a further three-month payroll tax relief for eligible businesses.

GST and third-party adjustment notes: Determination

ATO has registered a Determination which sets out third party adjustment note requirements for the purposes of the GST Act.

GST Ruling 2020/1: creditable purpose

ATO has issued a ruling on determining the creditable purpose of acquisitions in relation to transaction accounts.

Practical Compliance Guideline updated: creditable purpose

ATO has issued an updated version of Practical Compliance Guideline which sets out the ATO's compliance approach to GST apportionment of acquisitions.

GST-free supplies of transaction accounts

ATO has issued a Determination on when the supply of a transaction account is GST-free under the GST Act.

Assignment of payment streams including under securitisation

ATO has released an addendum to a GST ruling on the assignment of payment streams including under a typical securitisation arrangement.

FINANCIAL SERVICES

Ongoing fee disclosure: ASIC "no action" position

ASIC has issued a "no action" position in relation to ongoing fee arrangement obligations for Victorian financial advice businesses.

Insolvency reforms for small businesses – draft legislation

Treasury has released exposure draft legislation to implement the insolvency reforms for small businesses looking to restructure in response to COVID-19.

SUPERANNUATION

JobKeeper payments satisfy "work test" for super contributions

APRA has published a new FAQ on the interaction between JobKeeper payments and satisfying the "work test" for the purpose of voluntary super contributions.

SMSF membership limit increase Bill: submissions

Senate Economics Legislation Committee has released the submissions it received in relation to the Bill which proposes to increase allowable members in SMSFs.

REGULATOR NEWS

APRA resumes market intervention: disability insurance

APRA has announced that it will resume its intervention into the life insurance market to stem ongoing heavy losses re individual disability income insurance.

APRA's new Supervision Risk and Intensity Model

APRA announced that it is commencing the roll-out of a new model for assessing risks faced by banks, insurers and superannuation licensees.

IESBA National Standards Setters (NSS) working group

The International Ethics Standards Board for Accountants has released a paper titled Using Specialists in the COVID-19 Environment: Including Considerations for Involving Specialists in Audits of Financial Statements.

TAXATION

Final Budget outcome 2019-20

The Treasurer has released the Final Budget Outcome for 2019-20 recording an underlying cash deficit of $85.3bn for the general government sector. Nevertheless, the outcome is broadly consistent with the July 2020 Economic and Fiscal Update, except for a $0.5bn improvement on the 2019-20 underlying cash balance.

Total cash payments were $57.7bn higher than the 2019-20 MYEFO estimate, as Government support measures like JobKeeper, the Coronavirus Supplement, the Cashflow Boost and other economic support payments. To date, the Government has committed more than $300bn in economic support, Mr Frydenberg said. While payments increased as a result of COVID-19, total receipts were $33.1bn lower than estimated at the 2019-20 MYEFO as economic activity slowed.

General government net debt was $491.2bn (24.8% of GDP) which was $98.9b higher than estimated at the time of the 2019-20 MYEFO. Despite the increased debt levels, Mr Frydenberg said they remain lower than many comparable nations.

ATO administrative treatment of tax cuts

The ATO has advised that, following the 2020 Budget announcement to bring forward the Stage two tax cuts to 1 July 2020, it will publish updated tax withholding schedules once:

- the amendments pass Parliament; or
- there is public bipartisan support for the Bill which contains the amendments to bring forward the tax cuts as announced.

The ATO said it will work closely with providers of payroll software and employers to ensure that the reduced withholding associated with the threshold changes and the increase of LITO is reflected in software "as soon as practicable".

The ATO said the proposed changes to thresholds have not been included when calculating PAYG Instalment shown on the September quarter Activity Statements. The changes will be reflected in the December Activity statements if the legislation is enacted or if there is clear bipartisan support for the measure.

If taxpayers chose to vary their PAYG instalments for the 2020-21 income year to reflect the proposed tax cuts, the ATO says it will not apply penalties or charge interest for excessive variations if taxpayers have made their "best attempt to estimate [their] end of year tax liability". General interest charges may apply to outstanding PAYG instalment balances.

Budget personal tax cuts etc Bill awaits Assent

The Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Bill 2020 has passed all stages without amendment and awaits Royal Assent. The Bill proposes to implement the 2020 Federal Budget proposal to bring forward to 1 July 2020 the personal tax cuts (Stage two) that were previously legislated to commence from 1 July 2022.

From 1 July 2020, the top threshold of the 19% personal income tax bracket will increase from $37,000 to $45,000. The top threshold of the 32.5% tax bracket will increase from $90,000 to $120,000.

The Bill also proposes to implement the 2020 Budget proposals to:

- bring forward the increase in the amount of the low income tax offset to $700 (from $445) to 2020-21 (instead of the 2022-23 income year and later income years);
- retain the low and middle income tax offset (maximum $1,080) for the 2020-21 income year;
- allow corporate tax entities with an aggregated turnover of less than $5 billion to carry back tax losses from the 2019-20, 2020-21 or 2021-22 income years to offset previously taxed profits in 2018-19 or later income years;
- expand a range of tax concessions currently available to small businesses (aggregated annual turnover under $10 million) to be made available to medium sized businesses, ie businesses with an aggregated annual turnover of $10 million or more but less than $50 million;
- reform the R&D Tax Incentive by: (i) increasing the R&D expenditure threshold from $100m to $150m and making the threshold a permanent feature of the law (ie removing its sunsetting in 2024); (ii) linking the R&D tax offset for refundable R&D tax offset claimants to claimants' corporate tax rates plus a 18.5% premium; and (iii) increasing the targeting of the incentive to larger R&D entities with high levels of R&D intensity;
- improve the integrity of the R&D Tax Incentive by: (i) extending the general anti-avoidance rules in the tax law to R&D tax offsets directly; (ii) making the

rate at which the offset is recouped more accurately in situations where the offset would otherwise result in an additional or double benefit; and (iii) making clearer the rate at which deductible balancing adjustment amounts is incorporated in the R&D Tax Incentive;
- improve the administrative framework supporting the R&D Incentive by making information about R&D expenditure claims transparent, enhancing the guidance framework to provide certainty to applicants and streamlining administrative processes; and
- allow businesses with an aggregated turnover of less than $5 billion to deduct the full cost of eligible depreciating assets that are first held, and first used or installed ready for use for a taxable purpose, between 6 October 2020 and 30 June 2022.

JobMaker hiring credit – Bill introduced

The Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020 has been introduced in the House of Reps. It proposes to implement the 2020 Budget announcement to introduce a JobMaker Hiring Credit.

The Bill proposes to amend the Coronavirus Economic Response Package (Payments and Benefits) Act 2020 to allow the Treasurer to make rules for a kind of Coronavirus economic response payment that is primarily intended to improve the prospects of individuals getting employment or increase workforce participation.

Specifically, the Bill proposes to amend the Act to provide for an additional kind of payment to be authorised by the Act to facilitate payments in relation to the JobMaker Hiring Credit scheme announced by the Government in the 2020-21 Budget.

Date of effect: The scheme would operate from 7 October 2020 until 6 October 2022.

Labor’s Budget reply

Opposition Leader Anthony Albanese has given Labor's 2020 Budget Reply in the House of Reps. While Mr Albanese did not announce any tax policies, he did announce that a Labor Government, if elected, would remove the annual cap on the childcare subsidy from 1 July 2022.

Under Labor's childcare plan, the $10,560 child care subsidy cap would be scrapped to avoid women losing money from an extra day's work. The maximum child-care subsidy rate would be increased to 90%, while the subsidy rates and taper for them would be increased for every family earning less than $530,000.

Mr Albanese also announced Labor's A Future Made in Australia policy, which includes:

- National Rail Manufacturing Plan - more trains will be built in Australia by local workers with every dollar of federal funding spent on rail projects to boost local jobs and industry;
- Defence Industry Development Strategy to leverage the $270 billion investment pipeline; and
- Australian Skills Guarantee to give apprentices, trainees and cadets a foot in the door for work on major Commonwealth projects.

WFH: shortcut rate extended

The ATO has updated Practical Compliance Guideline PCG 2020/3 to extend until at least 31 December 2020, the "shortcut" 80c/hr rate for claiming work-from-home running expenses. This shortcut rate was last extended to 30 September.

As amended, PCG 2020/3 now allows eligible taxpayers to claim additional running expenses incurred between 1 March 2020 and 31 December 2020 at the rate of $0.80 per work hour, provided they keep a record of the number of hours worked from home. Taxpayers eligible to use the shortcut rate are employees and business owners who:

- work from home to fulfil their employment duties or to run their business during the period from 1 March 2020 to 31 December 2020; and
- incur additional running expenses that are deductible under s 8-1 or Div 40 of the ITAA 1997.

ATO interest payments to taxpayers

The ATO has issued an updated version of Practice Statement PS LA 2011/23, which deals with the circumstances in which the Commissioner will be liable to pay an amount of interest to a taxpayer (ie the credit interest regime administered by the Commissioner). In the majority of cases, such interest is payable under the Taxation (Interest on Overpayments and Early Payments) Act 1983.

The changes made are mostly minor technical adjustments (updating references to other Acts, removing repealed provisions etc) and minor wording changes.

However, the ATO flags that the Practice Statement is currently "being reviewed" as a result of the decision in FCT v Travelex Ltd [2020] FCAFC 10. There, the Full Federal Court had, by majority, dismissed the ATO's appeal against a 2018 decision concerning the payment of interest on an RBA surplus that arose where the taxpayer had overstated its GST liability. The main issue was the day from which interest on the refunded amount was payable pursuant to s 12AA of the Interest on Overpayments and Early Payments Act.

Government digital business plan announced

The Government has announced a JobMaker Digital Business Plan to support businesses to take advantage of digital technologies. The Prime Minister said the $800m package will look to remove out-dated regulatory barriers and boost the capability of small businesses to take up technology.

Key elements of the Digital Business Plan include:

- a Digital Identity system to enable more secure engagement with government services, and in future, the private sector;
- full implementation of the Modernising Business Registers (MBR) program, allowing businesses to quickly view and update their business registry data in one location;
- small business access to digital technologies through an expansion of the Australian Small Business Advisory Service - Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package;
- funding to mandate the adoption of electronic invoicing by 1 July 2022 for all Commonwealth government agencies, and to consult on options for mandatory adoption of e-invoicing by businesses;

- consulting on making permanent the temporary reforms to allow companies to hold virtual meetings and execute documents electronically;
- the rollout of the Consumer Data Right to the banking and energy sectors; and
- two blockchain pilots directed at reducing business compliance costs.

Qantas JobKeeper case

The Federal Court has held that Qantas cannot use earnings paid to an employee in arrears to reduce the amount needed to top up the employee's pay so that the JobKeeper minimum fortnightly amount is paid to the employee (ie $1,500 at the date of the hearing): Qantas Airways Limited v Flight Attendants' Association of Australia [2020] FCA 1365 (Federal Court, Flick J, 24 September 2020).

This case (the Qantas JobKeeper case) concerned the interpretation of s 789GDA(2) of the Fair Work Act 2009 (Cth). That forms part of Pt 6-C which was enacted to assist employers who qualify (or previously qualified) for the JobKeeper scheme to deal with the economic impact of the Coronavirus known as COVID-19.

Section 789GDA(2) of the Fair Work Act is directed to a comparison between:

- the amount of the JobKeeper payment, being an amount of $1,500 per fortnight as at the date of the hearing. (Note that the JobKeeper minimum fortnightly amount will be reduced from 28 September); and
- "the amounts payable to the employee in relation to the performance of work during the fortnight...".

Section 789GDA(2) of the Fair Work Act mandates that an employee is to receive the greater of those 2 amounts.

Flick J held that there is no ambiguity in the phrase "the amounts payable to the employee in relation to the performance of work during the fortnight..." and that it means what it says - namely, s 789GDA(2)(b) identifies that amount of money which is payable to an employee for the work performed by that employee during that fortnight.

The Court said the word "payable" means "that amount of money which is required to be paid to an employee pursuant to some contractual or other entitlement in return for the performance of work, and refers to the amount required to be paid to the employee during the fortnight in which the work is performed".

This means that monies that may nevertheless be contractually required to be paid during a given fortnight, but for work performed in a previous fortnight, are not monies payable "in relation to the performance of work during the fortnight".

Man charged with defrauding Services Australia payments

The Australian Federal Police (AFP) have arrested a 33-year-old Sydney man and charged him with multiple fraud offences for allegedly redirecting Commonwealth payments to accounts controlled by him.

The AFP alleged that the man stole identity information to then access Centrelink records to change the payment destination of a person's payment into a bank account he controlled. The fraud value has been calculated at more than $14,000. The AFP's Taskforce Iris is dedicated to targeting people and organised crime entities attempting to defraud the Government's COVID-19 support measures.

The man appeared before Parramatta Local Court on 24 September 2020 charged with two counts of obtain a financial advantage by deception; possess suspected proceeds of crime; dishonestly influence a Commonwealth public official; and possess identification information with intent to commit or facilitate an offence.

JobKeeper postcode data released by Treasury

Treasury has released JobKeeper postcode data, as at 1 September 2020, for organisations that had applications processed for the JobKeeper Payment for April, May and June 2020. For example, the data shows a total of 928,864 entities applied for the JobKeeper Payment in June 2020. However, the postcode applications data does not show the number of employees or eligible business participants nominated by an organisation.

SA: further payroll tax relief

The SA government has announced further payroll tax relief for businesses, based on September to November returns:

- three-month payroll tax waiver for businesses with annual payroll (grouped) of up to $4m; and
- three-month payroll tax deferral, until 14 January 2021, for businesses with grouped annual wages of more than $4m.

For businesses eligible for payroll tax deferrals, any previously deferred amounts relating to April to September payments may also be further deferred to 14 January 2021.

GST and third-party adjustment notes: Determination

The ATO has registered the A New Tax System (Goods and Services Tax) Third Party Adjustment Note Information Requirements Determination 2020 which sets out the third party adjustment note requirements for the purposes of s 134-20(1)(d) of the GST Act:

- the payer's identity, as specified in a form other than the payer's ABN (note that the payer must also set out its ABN);
- the payee's identity or the payee's ABN;
- a description of the thing that the payee acquires (including the quantity);
- the amount of the payment (being a payment of money, an offset of debt, or a credit to an account) that represents a third-party payment under Div 134;
- the amount of the payer's decreasing adjustment under s 134-5(2) of the GST Act; and
- the date the note is issued.

Date of effect: 1 October 2020.

GST Ruling 2020/1: creditable purpose

The ATO has issued [Ruling GSTR 2020/1] on determining the creditable purpose of acquisitions in relation to transaction accounts. The Ruling provides advice on the application of s 11-15(2)(a) of the GST Act to acquisitions made in relation to certain transaction accounts provided by a financial supply provider.

The Ruling applies to an Australian authorised deposit-taking institution, such as a bank, credit union or building society (ie an "account provider"), that supplies an interest in or under an account covered by table item 1 of reg 40-5.09(3) of the GST Regulations. It explains how to determine whether an account provider is entitled to GST credits for common acquisitions they make to provide transaction accounts (such as savings and deposit accounts, as well as everyday transaction accounts) when the provider also makes taxable supplies of interchange services.

Depending on the facts, the ATO says there may be additional supplies made to the account holder. It is not possible for the Ruling to address all potential supplies or factual situations but examples are used to illustrate how s 11-15(2)(a) applies to certain acquisitions in a transaction accounts business.

Schedule 2 to Practical Compliance Guideline PCG 2019/8 has also been updated to provide practical guidance to taxpayers on the ATO's compliance approach to GST apportionment of acquisitions that relate to transaction accounts.

Date of effect: 1 October 2020.

Practical Compliance Guideline updated: creditable purpose

The ATO has issued an updated version of [Practical Compliance Guideline PCG 2019/8] which sets out the ATO's compliance approach to GST apportionment of acquisitions that relate to certain financial supplies. The PCG sets out the framework the ATO uses to assess the risk associated with methods to determine the extent of creditable purpose (ECP).

Schedule 2 to PCG 2019/8 outlines how the ATO assesses the risk associated with apportionment methodologies the risk associated with apportionment methodologies used to determine the entitlement to GST credits for costs to provide transaction accounts. This framework seeks to allow taxpayers to understand the compliance risk associated with their approach, and the compliance approach the ATO will take. The Schedule should be read in conjunction with Ruling GSTR 2020/1.

Date of effect: The updated PCG has effect from the start of the taxpayer's first tax period commencing on or after 1 January 2020.

GST-free supplies of transaction accounts

The ATO has issued Determination GSTD 2020/1 on when the supply of a transaction account is GST-free under table item 3 or table item 4(a) of s 38-190(1) of the GST Act.

The supply of a transaction account is GST-free under table item 3 of s 38-190(1) of the GST Act to the extent that the account holder's effective use or enjoyment of the transaction account takes place outside of Australia. The Determination provides advice as to the extent to which the supply of a transaction account is GST-free where the account can be used outside of Australia. It considers that the supply is partly GST-free to the extent that the physical location of the account holder overseas is integral to the use of the account.

The ATO says an account holder's presence outside of Australia is integral to a transaction under the account if the account holder must be physically present at a specific location (outside of Australia) in order to initiate the transaction. For example, an account holder's presence is integral to transactions where the account holder makes a cash withdrawal (at an automated teller machine (ATM) or branch), or the transaction under the account requires the account holder to be physically present at the merchant or counterparty location.

Date of effect: 1 October 2020 (but will not to the extent it conflicts with the terms of settlement of a dispute agreed to before that date).

Assignment of payment streams including under securitisation

The ATO has released an [Addendum to Ruling GSTR 2004/4A7] on the assignment of payment streams, including under a typical securitisation arrangement.

The Addendum provides advice on determining whether a home loan lender is entitled to GST credits for common acquisitions they make to provide home loans, when they securitise those loans as part of a typical securitisation arrangement. This advice includes examples of common acquisitions made by financial institutions when originating and servicing home loans.

The Addendum makes various amendments, including the insertion of new paras 109A to 109BW setting out details on determining the creditable purpose of acquisitions made by a home loan originator, origination acquisitions, pre-securitisation servicing acquisitions and post-securitisation servicing acquisitions.

Six new examples have been inserted covering the acquisition of mortgage broking services, acquisition of lender's mortgage insurance, other acquisitions to establish home loans, pre-securitisation servicing acquisitions, post-securitisation servicing acquisitions, and where the originator and special purpose vehicle (SPV) are members of a GST group.

Date of effect: The Addendum applies on and from 25 September 2020.

FINANCIAL SERVICES

Ongoing fee disclosure: ASIC "no action" position

ASIC has issued a "no-action" position in relation to ongoing fee arrangement obligations for Victorian financial advice businesses. The no-action position applies to AFS licensees or representatives where their entire business or a substantial part of it is located in Victoria.

ASIC acknowledged that COVID-19 restrictions mean that some financial advice businesses in Victoria may find it difficult to comply with the fee disclosure statement (FDS) and renewal notice obligations. ASIC said it does not intend to take regulatory action against an AFS licensee or their representative for a breach of ss 962G, 962K and 962S of the Corporations Act 2001 in certain circumstances. See further, ASIC's COVID-19 information for financial advisers and advice licensees.

Insolvency reforms for small businesses – draft legislation

Treasury has released exposure draft legislation to implement the insolvency reforms for small businesses looking to restructure in response to COVID-19.

The Exposure Draft - Corporations Amendment (Corporate Insolvency Reforms) Bill 2020 will amend the Corporations Act 2001 to:

- introduce a new debt restructuring process for incorporated businesses with liabilities of less than $1 million, drawing on key features from Chapter 11 of the US Bankruptcy Code;
- move from a one-size-fits-all "creditor in possession" model to a more flexible "debtor in possession" model which will allow eligible small businesses to restructure their existing debts while remaining in control of their business;
- provide for a rapid 20-business day period for the development of a restructuring plan by a small business restructuring practitioner, followed by 15 business days for creditors to vote on the plan;
- provide a new, simplified liquidation process for eligible companies in a creditors' voluntary winding up to allow faster and lower cost liquidation;
- refine the requirements for registration as a liquidator; and
- provide for virtual meetings and the use of electronic documents and electronic signatures in an external administration.

Date of effect: The measures will commence on 1 January 2021, subject to the passing of the legislation. This seeks to ensure that small businesses can benefit from the new processes, particularly as the temporary relief to protect financially distressed businesses expires at the end of 2020.

Submissions are due by 12 October 2020.

SUPERANNUATION

JobKeeper payments satisfy “work test” for super contributions

APRA has published a new frequently asked question (FAQ) on the interaction between JobKeeper payments and satisfying the "work test" for the purpose of voluntary superannuation contributions.

Where an individual is aged 67-74 and is stood down from their employment due to the impacts of COVID-19 but is in receipt of the JobKeeper payment, APRA says a super fund trustee can accept a personal contribution from that individual under the "work test" rules in reg 7.04 of the SIS Regulations.

APRA's view is that where an employer is receiving the JobKeeper wage subsidy for an individual, RSE licensees should consider the individual to be "gainfully employed" (SIS reg 7.01(3)) for the purpose of the "work test", even if that individual has been fully stood down and is not actually performing work. In APRA's view, it is appropriate for an RSE licensee to take this approach because the individual is still employed and is obtaining a valuable benefit from his/her employer.

APRA also said RSE licensees do not need to distinguish between individual members on JobKeeper who are working reduced hours or those who have been stood down, and can assume that all members in receipt of the JobKeeper subsidy satisfy the "work test".

SMSF membership limit increase Bill: submissions

The Senate Economics Legislation Committee has released the submissions it received in relation to the Treasury Laws Amendment (Self Managed Superannuation Funds) Bill 2020. The Bill, which was introduced on 2 September and is still before the House of Reps, proposes to increase from four to six the maximum number of allowable members in SMSFs. The Senate Committee is due to report on the Bill by 4 November 2020.

REGULATOR NEWS

APRA resumes market intervention: disability insurance

APRA has announced that it will resume its intervention into the life insurance market to stem ongoing heavy losses in respect of individual disability income insurance (IDII).

APRA wrote to life insurers in December 2019 to announce a range of measures, including capital charges, to address flaws in IDII product design and pricing that had seen the industry lose around $3.4bn over the past five years. APRA's program of work was put on hold in March 2020 to enable life companies to focus on responding to COVID-19.

APRA has now advised that, from 1 October 2020, IDII providers will be subject to upfront capital penalties until APRA is assured they have taken adequate and timely steps to address sustainability concerns. Specifically, APRA requires them to implement a number of measures to better manage riskier product features, including:

- ensuring IDII benefits do not exceed the policyholder's income at the time of claim, and cease the sale of Agreed Value policies;
- avoiding offering IDII policies with fixed terms and conditions of more than five years; and
- ensuring effective controls are in place to manage the risks associated with longer benefit periods.

APRA has also asked life companies to apply these underlying principles to their other insurance products.

APRA’s new Supervision Risk and Intensity Model

APRA has announced that it is commencing the roll-out of a new model for assessing the risks faced by banks, insurers and superannuation licensees.

APRA has advised that it will begin using its new Supervision Risk and Intensity (SRI) Model from October 2020, with the new system expected to be fully implemented by June 2021. The SRI Model will replace the Probability and Impact Rating System (PAIRS) and the Supervisory Oversight and Response System (SOARS) systems that APRA has used since 2002.

APRA said it will use the SRI Model to assess the systemic significance of APRA-regulated entities, and the level of risk each entity faces. These assessments will then guide the nature and intensity of APRA's supervisory response.

APRA Chair Wayne Byres said the new SRI Model is more contemporary and sophisticated than its predecessor. The model includes a degree of tailoring to each individual sector, and its greater flexibility will help APRA respond to changes in the risk environment, such as those posed by the current pandemic, Mr Byres said.

To assist industry prepare for the transition, APRA has released an SRI Model Guide with more detail on its design characteristics. APRA has also published its revised supervision philosophy, which sets out the supervisory approach used by the regulator in pursuing its mandate. APRA said it will shortly undertake a series of structured engagements on the new SRI Model to help industry understand how it works, and what impact it may have on the level and intensity of supervision APRA applies.

IESBA National Standards Setters (NSS) working group

The International Ethics Standards Board for Accountants has released a paper titled Using Specialists in the COVID-19 Environment: Including Considerations for Involving Specialists in Audits of Financial Statements.