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| Standard Business Reporting  Australian Taxation Office –  Closely Held Trust Withholding Reports 2014 (CHTWTHHLD.0001)  Business Implementation Guide  Date: 6 August 2015 | |
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| attention_pms This document and its attachments are **Unclassified** |  |
|  | For further information or questions, contact the SBR Service Desk at [SBRServiceDesk@sbr.gov.au](mailto:SBRServiceDesk@sbr.gov.au) or call 1300 488 231. International callers may use +61-2-6216 5577 |

VERSION CONTROL

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| --- | --- | --- |
| Version | Release date | Description of changes |
| 0.1 | 18/06/2015 | Draft for consultation. |
| 1.0 | 6/08/2015 | These sections have been updated for Final publishing:   * 1.4: Glossary added * 2.2: clarified name of TFN Report * 3.1: Updated the description for the authorisation requirements. * 3.2: Clarified name of TFN Report, clarified AM permissions |

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1. Introduction
   1. Purpose

The purpose of this document is to provide information that will assist software developers in understanding the business context surrounding the Closely Held Trust Withholding Report Beneficiaries service. These interactions are performed with the Australian Taxation Office (ATO) through the Standard Business Reporting (SBR) platform.

This document defines the service, outlines which initiating parties can use the service and explains any constraints and known issues with the use of the services.

Specifically, the Closely Held Trust Withholding report refers to the interaction with the ATO for a user, depending on their role, to:

* Report to the ATO the beneficiaries of a trust
* Report to the ATO the amount withheld from a beneficiary who has not provided their Tax File Number (TFN), on an annual basis.
  1. Audience

The audience for this document is any organisation that will be building any ATO SBR services into their products. Typically this will be software application developers and business analysts.

* 1. Document Context

The ATO Closely Held Trust Withholding Reporting Service Business Implementation Guide forms part of the broader suite of documents used by the ATO to describe or interpret how the technical implementation relates back to the business context and process. This document is designed to be read in conjunction with the ATO SBR documentation suite including the:

* Web service/platform information
* Message information eg ATO Message Implementation Guide, and
* Test information eg Conformance suites

See the SBR [high level document](http://www.sbr.gov.au/__data/assets/pdf_file/0018/41085/High-Level-Document-Map.pdf) map for the relationship of this document with others in the suite.

* 1. Glossary

This table only contains terms that need specific explanation for this document. Other terminology can be found in the [SBR glossary](http://www.sbr.gov.au/software-developers/developer-tools/glossary).

| **Term** | **Definition** |
| --- | --- |
| ATO | Australian Taxation Office |
| BMS | Business Management Software |
| CHT | Closely Held Trust |
| CHTWTHHLD | Closely Held Trust Withholding |
| CHTWTHHLDBEN | The Closely Held Trust Withholding Report Beneficiary schedule |
| ebMS3 | ebXML Messaging Service, version 3.0 |
| ELS | Electronic Lodgment Service  (for full definition please see the [SBR Glossary](http://www.sbr.gov.au/software-developers/developer-tools/glossary)) |
| Intermediary | A party that facilitates a transaction between a taxpayer and the ATO |
| IT | Income Tax |
| SBR | Standard Business Reporting  (for full definition please see the [SBR Glossary](http://www.sbr.gov.au/software-developers/developer-tools/glossary)) |
| TFN | Tax file number  (for full definition please see the [SBR Glossary](http://www.sbr.gov.au/software-developers/developer-tools/glossary)) |

1. What Is the Closely Held Trust Withholding Report Service?
   1. Closely Held Trusts and their Reporting Obligations

A closely held trust (CHT) is a type of trust that:

* has up to 20 beneficiaries who have between them directly or indirectly fixed entitlements to a 75% or greater share of the income or capital of the trust, or
* is a discretionary trust, and
* is not an ‘excluded’ trust for TFN withholding reporting purposes

Upon formation of the trust, its beneficiaries must be reported to the ATO using the TFN Report. Beneficiaries of a closely held trust are encouraged to report their TFN to the trustee for inclusion on the report; otherwise the trustee will withhold at the top marginal rate plus Medicare Levy from any payment or distribution to the beneficiary.

Where the beneficiary has not supplied their TFN, the trustee must withhold tax under the PAYG withholding system when either a payment or distribution of amounts or an entitlement to trust income occurs.

If the trust withholds tax from payments or distributions to any of the beneficiaries, the Annual TFN Withholding Report must be lodged with the ATO. This report itemises the tax withheld from payments to any beneficiaries who did not supply their TFN. The Annual TFN Withholding Report must be submitted three months after the end of the income year, in most cases this will be 30 September.

If the beneficiary supplies their TFN to the Trustee, a TFN report must be lodged. This TFN provision must be made within 28 days of the end of the quarter.

This notification is only needed to be performed once for each beneficiary. The report is only used when needed.

When the beneficiary submits their income tax return, they will be able to claim a credit for amounts withheld by the trustee in relation to a financial year. This SBR service can facilitate the transmission of both the Annual TFN Withholding and TFN reports to the ATO.

* 1. Schedules

The TFN report and the Annual TFN Withholding Report need to be submitted with a schedule (CHTWTHHLDBEN) containing the trust beneficiary details. One schedule is required per beneficiary.



Figure 1: SBR interactions and CHTWTHHLD process

* 1. Interactions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Interaction** | **Short Description** | **Single** | **Batch** | **Bulk** | **Optional** |
| *CHTWTHHLD.prelodge* | Validate report data before lodgment | N | N | Y | Y |
| *CHTWTHHLD.lodge* | Submit report data | N | N | Y | N |

Table 1: Interactions available in CHTWTHHLD process

* 1. Channels

The CHT withholding reporting service is available in the following channels:

|  |  |  |
| --- | --- | --- |
| **Interaction** | **SBR Core Services** | **SBR ebMS3** |
| *CHTWTHHLD.prelodge* | N | Y |
| *CHTWTHHLD.lodge* | N | Y |

Table 2: Channel availability of CHTWTHHLD interactions

1. Authorisation
   1. Intermediary Relationship

The SBR services an intermediary, such as a tax agent, can use on behalf of their clients depends on the activity being undertaken and whether the intermediary has a relationship with the client. That is, an intermediary has the appropriate authorisation for the interaction being performed on behalf of the taxpayer recorded in ATO systems.

To use CHTWTHHLD interactions, a tax agent must be linked at the whole of client level in ATO systems. A business intermediary must be appointed by a business in Access Manager to use this service on their behalf.

|  |  |
| --- | --- |
| attention_pms | The intermediary relationship is a fundamental precondition for tax agents and business intermediaries to interact with SBR for the CHTWTHHLD service |

**Note:** If the relationship does not exist, the SBR Add Client Relationship interaction of the Client Update services can be used to establish a relationship between the intermediary and the taxpayer. See the Client Update Business Implementation Guide and Client Update Message Implementation Guide for further information.

* 1. Access Manager

AUSkey and Access Manager are used to manage access and permissions for SBR web services. ATO systems will check that the initiating party is allowed to use the interaction that is received through the SBR channel.

For more information on Access Manager, see the [ATO website](https://www.ato.gov.au/General/Online-services/Access-Manager/). For further information on AUSkey, see the Australian Business Register’s [website](https://abr.gov.au/AUSkey/).

The table below displays the interactions available to each initiating party via SBR for CHTWTHHLD.

| **Service** | **Interaction** | **Activity** | **Tax agent** | **BAS agent** | **Business** | **Business Intermediary** |
| --- | --- | --- | --- | --- | --- | --- |
| CHTWTHHLD | *CHTWTHHLD.Prelodge* | Validate data inputted into CHTWTHHLD report | ✓ |  | ✓ | ✓ |
| *CHTWTHHLD.Lodge* | Submit CHTWTHHLD report | ✓ |  | ✓ | ✓ |

Table 3: Parties able to use CHTWTHHLD

**Note:** The Closely Held Trust service is currently not available to BAS agents, but this is under review.

A user must be assigned the appropriate authorisation permissions to use the CHTWTHHLD service. The below table references the SBR service to the relevant permission in Access Manager:

| **Interaction** | **Report** | **Access Manager Permission** |
| --- | --- | --- |
| *CHTWTHHLD.Prelodge* | Annual TFN Withholding Report | Closely Held Trust Beneficiary Report   * *Prepare* check box |
| TFN Report |
| *CHTWTHHLD.Lodge* | Annual TFN Withholding Report | Closely Held Trust Beneficiary Report   * *Lodge* check box |
| TFN Report |

Table 4: Access Manager Permissions

1. Constraints and Known Issues
   1. Constraints When Using This Service

The CHTWTHHLD service has the following unique constraints:

|  |  |
| --- | --- |
| **#** | **Constraint** |
|  | Only one beneficiary can be reported per schedule. |

Table 5: Constraints when using the CHTWTHHLD service

* 1. Known Issues

N/A

1. Taxpayer Declarations

Each time an intermediary lodges an approved form on behalf of a taxpayer the law requires the intermediary to have first received a signed written declaration from that taxpayer.

Developers of SBR-enabled software products may elect to provide a printable version of the taxpayer declaration within their products to assist intermediaries.

|  |  |
| --- | --- |
| attention_pms | A taxpayer declaration must be obtained by the intermediary for all lodgment obligations performed on behalf of their client |

For information on the retention of declarations and frequently asked questions, please refer to the [ATO website](https://www.ato.gov.au/Tax-professionals/Prepare-and-lodge/Managing-your-lodgment-program/Client-declarations---frequently-asked-questions-and-examples/).

* 1. Suggested Wording

|  |
| --- |
| **Privacy**  For information about your privacy, visit our website at ato.gov.au/privacy  **Declaration**  I declare that:   * All of the information I have provided to the agent for the preparation of this document is true and correct * I authorise the agent to give this document to the Commissioner of Taxation. |

1. Closely Held Trust Withholding Report Service Guidance
   1. Amending Submitted Reports

Where information provided in either the TFN Report or the Annual TFN Withholding Report needs to be amended, the user can simply resubmit the Report with the correct information.

For example: For a TFN report, an incorrect name was provided against a beneficiary’s TFN. If the original report submission contained five beneficiaries, the user is only required to resubmit the details for the corrected beneficiary – eg Beneficiary #1 out of the five.

There are no limits on how many reports can be submitted.