



Income Tax Changes for 2025/2026

Several tax changes apply in the 2025/2026 income year. A brief summary is provided in this newsletter.

There may be some advantages in acting on some of these items before 30 June.

If you think any of these changes may affect you, please contact us for more details.



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General Year End Tax Planning Strategies

Business Income and Expenses

Subject to cash flow requirements, consider deferring income until after 30 June, especially if you expect lower income for 2026/2027 compared to 2025/2026.

Most businesses are taxed on income when it is invoiced. Some small businesses may only be taxed when income is received. Income from construction contracts is generally taxed when progress payments are invoiced or received.

Ensure that you have complied with the requirements to claim deductions in 2025/2026:

- Bad debts must be written off in your accounts before 30 June.
- Employer or self-employed superannuation contributions must be paid to, and received by, the super fund before 30 June and must be within the contributions cap (from 1 July 2025, \$30,000 for all individuals regardless of age).
- Depreciation can be claimed for assets first used, or installed ready for use, before 30 June.
- Small businesses (turnover less than \$10m), can claim expenses prepaid up to 12 months in advance – for larger businesses, this is generally limited to expenses below \$1,000.
- Wages paid to your spouse or family members must be reasonable for the work performed.

Small businesses planning major purchases or replacement of capital equipment should contact us for advice. Careful timing of those transactions can result in substantial tax savings.

Scrap any obsolete item in the asset register before 30 June. Consider delaying the sale of assets that will realise a profit on sale and bring forward any sales that will result in a loss.

Review valuations of trading stock in the lead up to 30 June. The best practice is generally to value stock at the lower of cost or market selling value.

These best practices should be revised if you expect a tax loss for 2025/2026 or substantially higher income in 2026/2027 compared to 2025/2026.

Personal Income, Deductions and Tax Offsets

Subject to cash flow requirements, set term deposits to mature after 1 July, rather than before 30 June.

Consider realising capital losses if you have already realised capital gains on other assets during 2025/2026. Conversely, consider realising capital gains if you have unrecouped capital losses, or you expect substantially higher income in 2026/2027 compared to 2025/2026.

If you expect lower income in 2026/2027 due to retirement or any other reason, consider deferring income until after 1 July, when you will be in a lower tax bracket. If you are a primary producer and you expect a permanent reduction in income, consider withdrawing from the income averaging system.

Arrange for deductible donations to be grouped in the higher income year if you expect a substantially higher or lower income in 2026/2027 compared to 2025/2026. Make all donations in the name of the higher income earner.

Other Tax Planning Considerations

Contact us for advice if you have moved to or from Australia for an extended period. You may need to review your residency status for tax purposes. There are important tax consequences if you change tax residency.

Trustees of trusts should ensure that all necessary documentation is completed before 30 June, especially where you intend to stream capital gains or franked distributions to specific beneficiaries or have beneficiaries who aren't the default beneficiaries.

Family discretionary trusts may need to make a family trust election if the trust has unrecouped losses or has beneficiaries whose total franking credits for the year may exceed \$5,000.

Be sceptical of year-end tax shelter schemes. You should not enter a scheme without advice regarding both its tax consequences and commercial viability.

Review Division 7A Compliance

If you or your associates have borrowed funds from a private company, or used company money for personal purposes, it's important to review **Division 7A compliance before 30 June**. Unpaid loans, advances or payments can be treated as unfranked dividends if not properly documented and managed. Before year-end, we recommend reviewing loan balances, ensuring compliant loan agreements are in place, and confirming minimum yearly repayments are made to avoid unintended tax consequences.

Review PAYG Income Tax Instalments

Review the Pay As You Go (PAYG) income tax instalments you have paid during the current financial year.

PAYG instalments are prepayments of your expected income tax for the year.

If your financial situation has changed, your expected tax may also change.

If your total PAYG instalments will be more, or less, than your expected tax for the year, you can change the amount you pay.

General interest charges and penalties may apply if your varied instalments are too low.

It's important to plan ahead so you don't end with a large tax bill that you weren't expecting.

Income Tax Changes – Small Businesses

Instant Asset Write Off

The Government announced on 4 April 2025 it will continue to provide support for small businesses by extending the instant asset write-off threshold of \$20,000 for a further 12 months until 30 June 2026.

Small businesses, with aggregated turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000, per asset, that are first used or installed ready for use between 1 July 2025 and 30 June 2026.

Division 7A benchmark interest rate

The Division 7A benchmark interest rate for 2025-2026 is 8.37%.



Superannuation Changes

An increase in the superannuation guarantee (SG) charge percentage from 11.5% to 12.0% applies to payments made from 1 July 2025 irrespective of when the work was done.

ATO Interest Charges Non-Deductible

For assessments for income years starting on or after 1 July 2025, the General Interest Charge (GIC) and Shortfall Interest Charge (SIC) incurred on tax debts can no longer be claimed as a tax deduction.

Income Tax Changes – Individuals

Low Income Tax Offset

The low income tax offset (LITO) remains at \$700 for the 2025/2026 income year.

Motor Vehicle and Car Expenses

For individuals claiming motor vehicle expenses under the cents per kilometre method, the rate for 2025/2026 remains at 88 cents.

ATO Interest Charges Non-Deductible

For assessments for income years starting on or after 1 July 2025, the General Interest Charge (GIC) and Shortfall Interest Charge (SIC) incurred on tax debts can no longer be claimed as a tax deduction

Study and Training Loan (STSL) Repayments

The ATO commenced reducing all student and training support debts by 20% that existed on 1 June 2025. Most debts will get their reduction before the end of 2025, however more complex reductions may not be processed until early 2026.

The following changes to compulsory repayment for student and training support debts are effective from 1 July 2025:

- The minimum repayment income threshold has increased from \$54,435 to \$67,000
- The calculation method has changed to apply only to income above the threshold.



Superannuation



Superannuation Changes

From 1 July 2025, changes apply to superannuation, consisting of:

- An increase in the superannuation guarantee (SG) charge percentage from 11.5% to 12.0% applies to payments made from 1 July 2025 irrespective of when the work was done.
- The annual cap on concessional contributions remains at \$30,000.
- The annual cap on non-concessional contributions remains at \$120,000.
- The Division 293 income threshold remains at \$250,000.
- The total amount of superannuation that can be transferred into the tax-free retirement phase increased from \$1.9 million to \$2 million.

From 1 July 2026, a new Division 296 tax applies to individuals with a total superannuation balance exceeding \$3 million, introducing an additional tax on earnings attributable to the excess balance. For most affected clients, Division 296 is not a trigger for drastic action, but it *does* warrant a structured review.

Please contact us to book in your pre-30 June tax planning service for the 2025/2026 year.

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Superannuation Minimum Drawdown Rates

The minimum percentage factor for pensions and annuities for 2025/2026 are:

<u>Age</u>	<u>Rate</u>
Under 65	4.0%
65-74	5.0%
75-79	6.0%
80-84	7.0%
85-89	9.0%
90-94	11.0%
95 or more	14.0%

Fringe Benefits Tax

FBT Rates & Thresholds for 31 March 2026

- FBT rate remains at 47%
- Record keeping exemption threshold increased to \$10,664
- Car parking threshold increased to \$11.03
- Statutory or benchmark interest rate decreased to 8.62%
- Small business turnover threshold for FBT concessions is \$50 million
- EV home charging rate is 4.20c per kilometre

FBT Exemption Plug-In Hybrid Electric Vehicles

From 1 April 2025, a plug-in hybrid vehicle will not be considered a zero or low emissions vehicle under FBT law. However, you can continue to apply the exemption in certain conditions.