

# Client Information Bulletin



May 2025

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## 1. What's new

### Small business instant asset write-off

The impasse over the small business instant asset write-off (IAWO) was resolved before the 2025 Federal election was called.

As previously advised in prior client alerts, following the enactment of enabling legislation to temporarily increase the IAWO threshold for 2023–24 to \$20,000, the Government proposed extending the \$20,000 threshold for 12 months to 30 June 2025. After some delays in Parliament, the enabling legislation to give effect to this was enacted just before the election.

This means the IAWO threshold for 2024–25 is \$20,000 and allows small businesses (aggregated annual turnover of less than \$10 million) to immediately write off the full cost of an eligible depreciating asset that costs less than \$20,000 and is acquired and first used, or installed ready for use by 30 June 2025.

The Government has proposed that the \$20,000 IAWO will again be extended for a further 12 months to 30 June 2026. Without this legislative change, the IAWO threshold will revert to \$1,000 for 2025–26.

### Personal income tax cuts

The income tax cuts announced as part of the Federal Budget 2025–26 are now law.

From 1 July 2026, the 16% rate (for taxable income between \$18,200 and \$45,000) will be reduced to 15%. The rate will then be reduced to 14% from 1 July 2027.

The effect of the tax cuts in 2026–27 and 2027–28 (compared to the 2024–25 settings) is that every Australian taxpayer earning:

- between \$18,200 and \$45,000 will receive a tax cut of up to \$268 in each of 2026–27 and 28 (up to just over \$5 per week); and
- more than \$45,000 — around 80% of taxpayers — will receive a tax cut of \$268 in each of 2026–27 and 28 (just over \$5 per week).

## Working from home

If you work from home, you are likely to incur deductible work-related expenses. You can claim the actual expenses provided you keep adequate records from the start of the income year to demonstrate:

- you incurred the expenses you are claiming directly as a result of working from home;
- how you calculated the income-producing portion of the expenses.

Alternatively, you can use the ATO's fixed rate method for calculating the work-related additional running expenses incurred as a result of working from home. The ATO has recently updated its guidelines (in Practical Compliance Guideline PCG 2023/1) relating to the fixed rate method.

The fixed rate method enables you to claim a deduction for additional expenses incurred as a result of working from home by using a fixed rate for each hour you worked from home during the income year. The fixed rate includes expenses you incur for the following:

- energy expenses (electricity and gas) for lighting, heating, cooling and electronic items used while working from home;
- internet expenses;
- mobile and home phone usage expenses; and
- stationery and computer consumables.

The fixed rate from 1 July 2024 is 70 cents per hour. It was 67 cents per hour for the 2022–23 and 2023–24 income years.

You must keep:

- records showing the total number of actual hours you worked from home during the income year; and
- one document, such as an invoice, bill or credit card statement, for each of the additional running expenses that you have incurred during the income year.

### **Tip!**

Talk to your Blaze Acumen adviser if you work from home. We can work out whether it is better to use the fixed rate method or claim the actual expenses you have incurred.



## **2. Election proposals**

Given the outcome of the Federal election on 3 May 2025, below is a brief summary of the key tax measures announced by the Government during the election campaign. (Please note that further information can be found on the ALP's website).

### **20% reduction on all student loans**

The Government will reduce all student loans (that exist on 1 June 2025) by 20% by 1 June 2025. This includes ELP, VET Student Loans, Australian Apprenticeship Support Loans and other income-contingent student support loan accounts.

### **Standard tax deduction**

From 1 July 2026, individuals will be able to claim an instant tax deduction for work-related expenses totalling less than \$1,000 without the need for receipts. To be eligible for the instant tax deduction, individuals will have to earn labour income (not only business or investment income).



### **3. From the ATO**

#### **Tips for sole traders and small businesses**

As a sole trader or operator of a small business you may wear many hats. You might be the business strategist, social media manager, human resources, IT support as well as the bookkeeper.

If you're doing your own bookkeeping and managing your business, it is worth being organised from the start as it will help you stay on top of your tax obligations and make financial decisions based on your business's circumstances.

The ATO has some tips that can make your tax life easier:

- Keep an eye on upcoming expenses and regularly update your books and reconcile your accounts.
- Set aside the GST you collect. For example, you could transfer it into another bank account within the business to keep it separate from your cash flow. This way, the money will be there when it is time to lodge and pay.
- If you have employees, you can also set your pay as you go (PAYG) withholding and superannuation aside, so you'll have the funds available when payments are due.
- Avoid the last-minute rush and schedule time in your calendar to prepare your business activity statement (BAS).
- Lodge and pay your BAS on time. This isn't just about compliance, it is a chance to understand your business's financial position.

#### **Tip!**

Your Blaze Acumen adviser can help you with business-related tax issues.

## Common Capital Gains Tax mistakes

The ATO's engagement with Next 5,000 privately owned and wealthy groups reveals a range of common capital gains tax (**CGT**) mistakes. These mistakes usually the result of the mischaracterisation of information and poor record keeping and include:

- cost base errors;
- reporting of transactions in the wrong income year, or not at all;
- incorrect characterisation of ordinary income as a capital gain;
- beneficiaries that fail to gross up the discounted share of capital gain distributed by trusts;
- unsubstantiated carried forward capital losses;
- inability to substantiate assets sold to related parties.

To avoid these types of issues, you should note that certain capital losses, disposals and claims for the small business CGT concessions will attract the ATO's attention.

## Capital losses

Situations that attract the ATO's attention include:

- losses that appear to be excessive, incorrect or misclassified;
- changes to the company in the year the loss occurred and whether there was a change in either the ownership of the company (so the continuity of ownership test may be failed) or the nature of the business (so the business continuity test may be failed);
- capital losses from non-arm's length transactions, where the market value substitution rules are not considered or applied;
- capital losses artificially generated to offset capital gains, including non-arm's length transactions used to manipulate cost base and capital losses realised solely to offset capital gains through wash sales;
- entities that incorrectly apply capital losses;
- entities that reclassify capital losses as revenue losses to offset taxable income;
- mismatches between the tax return and the CGT schedule.

## CGT – disposal

Situations that attract the ATO's attention include:

- when a reported capital gain is less than what it should be, based on the ATO's estimates using external data sources;
- entities that fail to meet their CGT schedule lodgement obligations;
- companies (other than life insurance companies) claiming a CGT discount;
- beneficiaries that fail to gross up the discounted share of a capital gain distributed by a trust;
- entities that received cash (or other ineligible consideration) through a partial scrip for scrip rollover;
- entities that disposed of high-value assets, but returned small capital gains or claimed unsubstantiated capital losses;
- entities that incorrectly apply the CGT rollover provisions.



## **Small business CGT concessions**

The ATO wants to ensure entities genuinely meet the eligibility criteria when claiming small business CGT concessions.

Situations that attract the ATO's attention include:

- entities that fail the small business entity test (for example, fail to carry on a business or have an aggregated turnover above the \$2 million threshold – not \$10 million, which is the threshold for the general small business concessions);
- entities that fail the maximum net asset value test – net assets of the entity, connected entities and affiliates exceed \$6 million;
- where the asset disposed of is not an 'active asset';
- entities that do not meet the additional conditions where the CGT asset is a share or an interest in a trust;
- entities that fail to correctly identify significant individuals and CGT concession stakeholders;
- entities that restructure for the primary purpose of enabling access to the small business CGT concessions, which might not otherwise be available;
- entities that claim the small business rollover, but do not report a capital gain from CGT event J5 at the end of the replacement asset period when they fail to acquire a replacement active asset;
- entities that do not meet the additional conditions applicable to the type of small business CGT concession claimed, such as exceeding the small business CGT retirement exemption lifetime limit of \$500,000;
- entities that fail to correctly report or apply the 15-year exemption.

### **Tip!**

Consult your Blaze Acumen adviser on how to avoid CGT mistakes and how to best utilise the small business CGT concessions.

## **Small business financial benchmarks**

The ATO has released a new set of updated financial benchmarks to help small business owners take the pulse of their business.

According to the ATO, the benchmarks 'act as a health check, allowing small business owners to compare their performance including average expenses against other businesses in the same industry.' The benchmarks are updated annually.

The benchmarks cover 100 industries and more than 2 million small businesses around the country. The industries include:

- accommodation and food;
- building and construction trade services;
- education, training, recreation and support services;
- health care and personal services;
- manufacturing;
- other services;

- professional, scientific and technical services;
- retail trade;
- transport, postal and warehousing.

The benchmarks are accessible on the ATO website or via the ATO app business performance check tool. Small business owners who need help understanding how to improve their business performance should consult their Blaze Acumen tax advisor.

## **Non-commercial business losses**

The ATO is seeing individuals incorrectly claim and offset losses from non-commercial business activities against other income sources. A non-commercial business loss (**NCL**) is a loss you make from a business activity, as either a sole trader or an individual in a partnership, where that activity is not related to your primary source of income.

You cannot offset an NCL against assessable income you earn from other activities in the year the loss is made. You must:

- defer it to a later income year; and
- treat it as a deduction you incur (in relation to that business activity) in the next income year in which you carry on that business activity.

## **How to get it right**

If you're an individual who has or is planning to offset or defer an NCL loss, you should be aware of the following:

- the income requirement;
- the four eligibility tests for offsetting NCL (the assessable income, profits, real property and other assets tests);
- how to defer your loss; and
- how to offset your loss.

## **Common errors**

The most common NCL errors the ATO sees are caused by:

- offsetting losses from hobby or other non-business-like activities;
- problems applying the rules for offsetting losses when your taxable income for non-commercial loss purposes (excluding your business losses) is more than \$250,000;
- issues with the rules for offsetting losses when failing to pass any of the four eligibility tests;
- failing to apply to the ATO to exercise its discretion to allow the claim or not applying ATO guidelines in good faith.

### **Tip!**

Consult your Blaze Acumen tax adviser if you have NCL as the rules can be complicated.

## Using business money and assets for personal use or benefit

Division 7A of Part III of the *Income Tax Assessment Act 1936* contains a series of integrity rules. These may apply when a private company attempts to provide money or other benefits to its shareholders or their associates in an income tax-free manner. Division 7A is one of the top areas where the ATO sees small businesses and private family groups making errors.

### How to get it right

The most common errors the ATO sees are caused by:

- shareholders (owners and associates) not understanding that a company is a separate legal entity and the company's money and assets are not the owners', such as using private company assets for private purposes and using a single bank account (or credit card) for private and company expenses;
- poor or no business records;
- not meeting Division 7A requirements when making, repaying and managing loans made to shareholders or their associates.

### Errors that arise from loans

The ATO sees Division 7A errors arise when private companies make loans to their shareholders or their associates. This includes:

- not entering a written complying loan agreement before the company's lodgement day;
- loan agreements being made between the wrong entities;
- private companies charging interest on loans below the benchmark interest rate;
- private companies not declaring interest earned on Division 7A loans in their assessable income;
- private companies using journal entries to record repayments that have not been made;
- shareholders or their associates not meeting their minimum yearly repayment (**MYR**) obligations due to not making their repayments by the 30 June deadline;
- incorrectly calculating their MYRs resulting in them paying less than the required repayment amount to the private company, for example, by applying an interest rate less than the benchmark interest rate;
- borrowing money from a private company to make a MYR.

### Division 7A and unpaid present entitlements

For more than 15 years, the ATO has had a published view about the tax consequences of unpaid present entitlements (**UPEs**) owing by a trust to a related corporate beneficiary. In essence, the ATO regards a UPE as a 'loan' by the beneficiary to the trust. The 'loan' would be treated as an unfranked dividend unless the parties entered into a written complying loan agreement and manage the loan on Division 7A terms.

A recent decision of the Full Federal Court (*Commissioner of Taxation v Bendel* [2025] FCAFC 15) (**Bendel**) has cast serious doubt on the ATO's treatment of UPEs. The Court said that for a loan to exist for Division 7A purposes, there must be an obligation to repay and not merely an obligation to pay. The UPE in the Bendel case did not carry such an obligation and was therefore not a 'loan'. In reaching this conclusion, the Full Federal Court upheld the tribunal's decision in favour of the taxpayer.



The *Bendel* case is the first time that the ATO's longstanding view has been considered by the courts.

The ATO has sought special leave to appeal the *Bendel* decision to the High Court because the decision is of wide interest and will impact many taxpayers.

In the meantime, the ATO is standing by its historic views and does not intend to revise those views until the appeal process is exhausted (and, if the High Court grants special leave to the Commissioner, a decision is made in favour of the taxpayers).

There are also complex rules dealing specifically with UPEs to counter arrangements that shelter trust earnings in companies, while the benefit of the funds is enjoyed tax-free by another taxpayer. The application of these rules does not depend on the final outcome of the *Bendel* case.

Importantly, we will not know the outcome of the ATO's appeal to be heard by the High Court, or whether such leave will be granted prior to 30 June 2025. As such, we do not advise our clients to follow the decision in *Bendel* in relying on a UPE not being treated as a loan for Division 7A purposes. The ATO has publicly stated that if a taxpayer does rely on the *Bendel* decision and the ATO is successful in its appeal, then any shortfall in MYR on UPEs that should have been treated as loans will trigger a deemed (unfranked) dividend. Furthermore, the ATO has stated in these circumstances, it will not grant discretion under Section 109RB to take corrective action in a subsequent year.

Having regard to the current state of play in this area, we advocate that clients continue to treat UPEs owing to companies as loans until we have certainty in this space.

**Tip!**

If you think you may be caught by Division 7A or if the *Bendel* decision may be relevant to your situation, consult your Blaze Acumen tax adviser. Not complying with Division 7A may have adverse tax consequences.

## **Contractors omitting income**

As part of the taxable payments reporting system (**TPRS**), businesses must lodge a taxable payments annual report (**TPAR**) to report payments made to contractors for providing the following services:

- building and construction;
- courier;
- cleaning;
- information technology (**IT**);
- road freight;
- security, investigation or surveillance.

If you work as a contractor and provide any of these services, the business you contract to will report those payments to the ATO on their TPAR. You need to include this income on your tax return.

Through data matching, the ATO is seeing some contractors incorrectly reporting or omitting contractor income. You need to report all your income, including payments made by businesses for your contracting work. If the ATO suspects you may have omitted TPRS income on your tax return, it may:

- contact you or your tax adviser via email to request that you amend your tax return;

- contact you or your tax adviser via phone call to better understand your circumstances and potentially request that you amend your tax return.

If you don't take action, the ATO may conduct a review and audit of your business. Penalties and interest may apply.

## How to get it right

If you are a contractor providing TPRS services, remember to include all your income on your tax return. To help you get it right, the ATO includes information reported to it about contractor payments to you, in its:

- pre-filling service – this allows you to easily include these payments in your tax return if you are a sole trader;
- reported transactions service in the ATO's online services – these records give you transparency about the data that has been provided to the ATO about your business transactions.

### Tip!

Your Blaze Acumen tax adviser can help you complete your tax return.

## Moving from quarterly to monthly reporting

From March 2025, small businesses that have a history of failing to comply will start to receive communication from the ATO notifying them of their new monthly reporting cycle effective from 1 April 2025. These businesses have not responded to previous communications from the ATO and demonstrate a poor compliance history, for example:

- paying late or not paying the amount due;
- not lodging or lodging late;
- reporting their tax obligations incorrectly.

Small businesses that disagree with the ATO's decision and do not consider they have a history of failing to comply can lodge an objection for this reviewable GST decision within the time limit.

After 12 months, a small business can ask the ATO to change its reporting cycle back to quarterly. The ATO will do this only if satisfied that the business is complying with its obligations.

This marks a turning point in his business. Jack finds it easier to stay on track with accurate, up-to-date record-keeping, which helps him make better business decisions. After the 12-month period, Jack saw the benefits of monthly reporting and decided to keep his reporting cycle as monthly.

## Voluntarily moving to monthly GST reporting

Many small businesses have already moved to monthly GST reporting voluntarily. This has helped them improve their cash flow and keep their record-keeping up to date.

Generally, small businesses that report their GST monthly find that:

- monthly reporting aligns better with other natural business processes;
- cash flow management improves, which helps them make more informed business decisions;
- making smaller, more manageable payments helps them meet their tax obligations.



## 4. FBT issues

### FBT return time

If your business provided fringe benefits to employees or their associates between 1 April 2024 and 31 March 2025, it is now time to lodge the 2025 fringe benefits tax (**FBT**) return and pay any outstanding FBT. An associate includes a spouse, child, parent, sibling and most other relatives (but not cousins).

You should note the following dates:

- The 2024–25 FBT year ended on 31 March 2025 (the 2025–26 FBT year started on 1 April 2025).
- If your business lodges electronically via a tax practitioner, the due date to lodge and pay any outstanding liability is **25 June 2025**.

If your business does not need to lodge an FBT return but it is registered for FBT, you should still let the ATO know by the date the return would have been due. This can be done by completing a *Notice of non-lodgement – Fringe benefits tax* form.

While it is important to lodge and pay on time, there may be circumstances where your business cannot. If this is the case, you should contact the ATO or speak with your Blaze Acumen tax adviser as early as possible.

Don't forget to keep all records relating to the fringe benefits that have been provided, including how the taxable value of the benefits was calculated.

### Tip!

Your Blaze Acumen tax adviser can help you prepare the FBT return and work out if your business has a FBT liability.

## Party-planning for employees

Is your business planning a party for employees, or thinking in advance about an end-of-financial-year celebration? If so, make sure you consider the FBT implications as the party or celebrations may constitute entertainment-related fringe benefits.

This will depend on:

- the amount spent on each employee;
- when and where the party is held;
- who attends – is it just employees, or are partners, clients or suppliers also invited; and
- the value and type of gifts provided.

Remember to keep all records relating to any fringe benefits provided, including how the taxable value of benefits is calculated.

### *Tip!*

Talk to your Blaze Acumen tax adviser before holding a party for employees.

## FBT thresholds and rates for 2025-26

The FBT rate and the gross-up rates are the same for the 2025–26 FBT year as for 2024–25.

The FBT rate is 47%. The gross-up rates are:

- 2.0802 where the benefit provider is entitled to a GST credit (type 1 gross-up rate); and
- 1.8868 where the benefit provider is not entitled to a GST credit (type 2 gross-up rate).

Some rates that have changed include:

- the benchmark interest rate (e.g. for loan fringe benefits) — 8.62% for 2025–26 (down from 8.77% for 2024–25);
- the record keeping exemption (also relevant for eligibility to use the base rate method to calculate FBT) – \$10,664 for 2025–26 (up from \$10,334 for 2024–25);

The motor vehicle (other than a car) cents per kilometre rates have also increased for 2025–26. They are:

- 0–2500cc – 69 cents (up from 67 cents for 2024–25);
- over 2500cc – 80 cents (up from 77 cents for 2024–25);
- motorcycles – 20 cents (up from 19 cents for 2024–25).

The weekly amounts the ATO considers to be reasonable food and drink amounts for a living-away-from-home allowance (**LAFHA**) paid to employees living away from home, whether within Australia or overseas, are set out in an ATO Taxation Determination (TD 2025/2).

The weekly amounts for locations in Australia are set out in the table below.

Adults <sup>1</sup>	Children	Weekly amount \$
1	-	341
2	-	512
3	-	683
1	1	427
2	1	598
2	2	684
2	3	770
3	1	769
3	2	855
4	-	854
Each additional adult	-	171
-	Each additional child	86
<sup>1</sup> An adult for these purposes is someone who turned 12 before the start of the FBT year.		

## FBT record keeping and plug-in hybrid exemption changes

The ATO has reminded employers of some changes that might impact their FBT obligations.

### Alternative record-keeping changes

Your business can now use existing records instead of travel diaries and declarations for some fringe benefits. You may prefer to continue using the current approved forms or have the choice of using a combination of both methods for each employee and each benefit.

If using existing corporate records, your business needs to meet the minimum required information at the time of lodging the FBT return.

Keeping the right records ensures your business can correctly calculate the taxable value of the benefit and support its FBT position.

### Plug-in hybrid electric vehicle changes

The FBT exemption for plug-in hybrid electric vehicles (**PHEVs**) ended on 31 March 2025, so 2024–25 may be the last year that your business can claim the exemption.

Your business can continue to apply the exemption if:

- that PHEV was used, or available for use, before 1 April 2025 (and that use was exempt); and
- it has a financially binding commitment to continue providing private use of the vehicle on and after 1 April 2025.



## 5. Key tax dates

Date	Obligation
<b>28 May 2025</b>	March 2025 SG statement due
<b>21 June 2025*</b>	May 2025 monthly BAS due
<b>30 June 2025</b>	End of 2024–25 financial year
<b>21 July 2025</b>	June 2025 monthly BAS due
<b>28 July 2025</b>	June 2025 quarterly BAS due Pay June 2025 quarterly PAYG instalment
<b>14 Aug 2025</b>	PAYG withholding annual report due if not reporting through STP
<b>21 Aug 2025</b>	July monthly BAS due
<b>28 Aug 2025</b>	June quarter SG statement due Taxable payments annual report due

*\*Next business day applies*

### **Note!**

Talk to your Blaze Acumen tax agent to confirm the correct due dates for your own tax obligations.

#### DISCLAIMER

The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their Blaze Acumen tax adviser for advice on specific matters.