

June 2025 Business News

Payday Super

The Government has released its draft legislation regarding 'payday super'. Under the proposed amendments is the requirement for the mandatory superannuation contributions to be paid within seven days of an employee's payday rather than quarterly payments.



The Superannuation Guarantee Charge (SGC) legislation is in place to impose charges on employers who don't pay their employees superannuation contributions on time. The proposed legislation plans to impose the charge when superannuation contributions are not received by the employee's superfund within seven days from the day the employee is paid. Hopefully superannuation funds will improve their procedures so that contributions are processed within the required timeframe.

This means that in most cases rather than paying within 28 days after the end of the financial quarter, the payments are aligned with your payday period. The proposal is designed to help businesses with their cash flow by requiring smaller regular payments rather than a larger one-off payment. Superannuation accounts receive funds earlier than usual and the account is likely to increase its earnings.

What the proposal does not address is whether the processing charges imposed by superannuation funds will remain the same or will increase due to additional transactions being processed. If superannuation funds increase their charges, then the increased investment earnings will be reduced.

Notably the legislation also includes the directive that the ATO Clearing House will be closed down. For many years the tax office has provided clearing house facilities for small businesses, so that they can receive employee contributions and then remit them to the various superannuation funds involved. Like superannuation funds, the tax office struggles with processing times and in view of the increased volume of contributions under the proposed changes, the Government has decided to close down the ATO Clearing House.



Whilst the proposed changes are still in draft legislation and subject to parliamentary debate, it is expected that some change to the frequency of payments will be made. You should use this financial year to make changes to be better prepared. If you currently pay contributions each quarter, we recommend that you change to

monthly payments. If you are unsure of where to find the amount of contributions to be paid, please contact us and we will guide you through the steps.

If you use Xero accounting software for your business, Xero has a feature where you can authorise the superannuation from within their software. This feature is not available in all versions of Xero software, and you may need to upgrade your subscription level.

If you currently use the ATO Clearing House, you will need to make other arrangements by 30 June 2026. We will discuss the options available to you prior to the end of the financial year.

We will continue to monitor the progress of the proposed amendments to the legislation and let you know the final outcome once the changes receive Royal Assent.

Promises, Promises

During the lead up to the recent Federal Election, the Labour party released some tax policies as part of their promises. Even though they have been returned to Government, not all of these promises have been legislated.

One of the promises was to continue the \$20,000 instant asset write off deduction for another year. Note that this deduction was not included in the Labour Government's 2025 Federal Budget, but became an election promise a few weeks later.

Over the past few years, the Federal Government has delayed legislating this deduction until late in the financial year making it difficult for some businesses to be confident of obtaining the deduction in full. For the 2024/25 year, it was legislated in late March 2025, for the prior year in June 2024. It remains to be seen when the deduction for the 2025/26 is legislated. Until then, if you wish to discuss the deduction, please contact our office for further details.

Meetings with Clients, Contractors and Employees (Is that coffee, snack or meal during a meeting tax deductible?)

This is a question that is often raised and a deduction that we are required to regularly review in relation to tax deduction, fringe benefits tax, and GST credits. The tax office is somewhat ambiguous about what is a business meeting (which is tax deductible) and what is 'entertainment' (which is not tax deductible).

The points to consider revolve around Where, What, When and Why:

	Probably deductible	Probably not deductible	Best practice
Where did the meeting take place?	Consumed on business premises	Consumed at a café or restaurant	Light catering at the office, or purchased outside and brought back to office
What did the meal entail?	Light refreshments and coffee (we use \$20 per person as a guide – but there is no tax ruling on this)	Full meals – even one course. Adding on alcohol will almost confirm that it is entertainment and not deductible	To be allowed a deduction, cater the 'meal' as a basic snack and/or coffee
When did the meeting take place?	Business meetings would take place within business hours, whilst working overtime, or whilst travelling for work purposes	Outside of normal business hours, or on weekends.	Keep a record of your regular work hours and overtime hours. Workers with no regular work hours, should keep a diary of all working hours as proof
Why did the meeting take place?	Meetings with client to discuss business matters, Staff training, Meetings with staff to discuss clients or performance matters	Social event with client, contractor or staff both on and off business premises	For off premises meetings, keep a record of who attended (number of clients, contractors, staff, associates) and why the event was held

As usual, keeping good records makes it easier to determine whether the meeting costs are tax deductible, not tax deductible and whether Fringe Benefit Tax applies.

Small Business Expenses: Personal-Professional Blur

Small businesses mixing personal and business expenses remains a common error that is a target for the tax office to audit. Red flags include business deductions not adjusted for private usage, round-number claims without documentation, lack of diary or logbook records to prove business use; and no adjustments to loan interest deductions to reflect loan redraws for private purposes.

The solution: Separate bank accounts and credit cards, detailed record-keeping, (receipts and diary records), separate loan account for personal use.



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