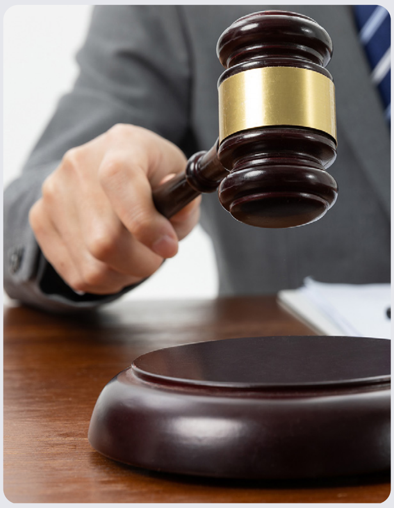
AUTUMN 2025

IN THIS ISSUE:



We Are Here To Help

This guide is merely meant to provide you with a starting point for identifying the areas that might have a significant impact on your personal and business planning. We're always glad to consult with you on such matters and advise in any way that we can.

YEAR END STRATEGIES

THE 2025/2026 TAX GUIDE FOR YOU AND YOUR BUSINESS

Carr Barnett Accountants

Bendel Decision - What Does It Mean For You?

The ATO's loss in the Full Federal Court in the matter known as 'Bendel' has stirred the pot in more ways than one!

The Bendel case involved a controller of a trust (known as Mr Bendel) who was being assessed by the ATO for payment of more than a million dollars in taxes and penalties. However, the ATO sought the court to rule on a **specific part of the law**.

Where the ATO lost was if you have a trust that distributes to a company but keeps all the money, then **the amount owed to the trust will not be treated as a loan from the company back to the trust**.

Many trusts may take this approach, but why is this a problem?

Two other parts of the law need to be considered. For example, if you distribute to the company and the trust then gives access to any of the individual beneficiaries to that money, **there are specific provisions that say the amount distributed to the company is now a Division 7A loan**.

This is what Mr Bendel did, which may mean there may still be issues if he is within the amendment period.

Secondly, where a distribution from a trust is made to a lower tax beneficiary as part of a tax minimisation scheme, the whole amount can then be taxed to the trust at 47%. **(cont. p2)**

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However, before you decide, 'I am going to distribute all of my trust profit to a company and only pay 25% on tax', be mindful of the rules not considered during the Bendel case.

Even if the ATO doesn't get leave to appeal to the High Court or if they do and lose, they will have some other very big sticks they can use.

With plenty of media coverage in recent months (since the case went to court in February 2025) reporting that the ATO should be paying back money to up to a million trusts as a result of the decision, it's more important than ever to receive tax advice from a professional adviser.

We're here to help. Find out how, with a conversation with us at the end of the financial year.

Who Gets The Trust Distributions This Year?

Under tax law, beneficiaries of a trust must be entitled to their share of the trust's income ***as at 30 June.***

It's a bit of a strange rule - it means you have to decide who gets the income before you even know how much income there will be.

That's why it's so important to touch base with your accountant before the end of the financial year. Your accountant can help estimate how much income and capital gains your trust is likely to generate, so you can make informed decisions about how best to distribute it.

Keep in mind: once you resolve to distribute trust income to someone, that person becomes liable for the tax on it, even if they don't physically receive the money.

On the surface, it may seem like a great idea to name low-income family members as beneficiaries to take advantage of their lower tax brackets.

However, recent ATO rulings have clarified that they're watching that practice closely. If someone is named as a beneficiary, they must receive the real economic benefit of that income.

For example, if you distribute $100,000 to your 18-year-old son, you need to be able to show that he genuinely benefited from that money. Understandably, you may not want to hand over a $100,000 cheque, but you still want to utilise his lower tax rate.

That's where your accountant can help. They will work with you to find a compliant and sensible balance and determine what level of distribution is appropriate without attracting unwanted ATO attention.

Another key consideration is that once someone receives a distribution, they may become a connected entity of the trust, with this status lasting for four years.

That may not matter immediately, but it could have tax implications, especially if you plan to sell a business in the next few years. Connected entities are included when applying small business tax concessions, so getting this wrong could cost you down the track.

In short, a little planning can make a big difference later.

Let's chat before 30 June so we can help you get your trust distributions right, and avoid any tax-time headaches from coming your way.

Boosting A Spouse's Super Before The EOFY

You might want to top up your spouse's superannuation for plenty of reasons.

Maybe you've accumulated more super than they have and want to even things out for retirement. Or perhaps your spouse is older and you're keen to access those funds sooner. Maybe they had to take a career break, and you want to keep their balance up.

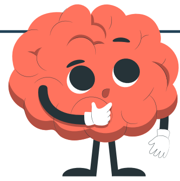
Whatever the motivation, it's helpful to know that the super system allows for this kind of strategic planning - but there's a deadline to keep in mind.

Under current superannuation rules, you have until **30 June** to instruct your fund to roll over up to **85% of your previous year's concessional contributions** into your spouse's super account.

Concessional contributions include any super contributions your employer makes and any personal contributions you've made and claimed a tax deduction for. When transferring these to your spouse, you can only move up to **85%** of the amount, because a **15% contributions tax** has already been deducted.

Even if you've used the **carry-forward concessional contributions** rule to make a larger deductible contribution in a particular year, you can still split 85% of the total amount you claimed a deduction for. It's a handy strategy, especially if one partner is behind on their super savings.

But, notably, this isn't a once-off opportunity. You can keep doing it **each year until your spouse turns 65.**

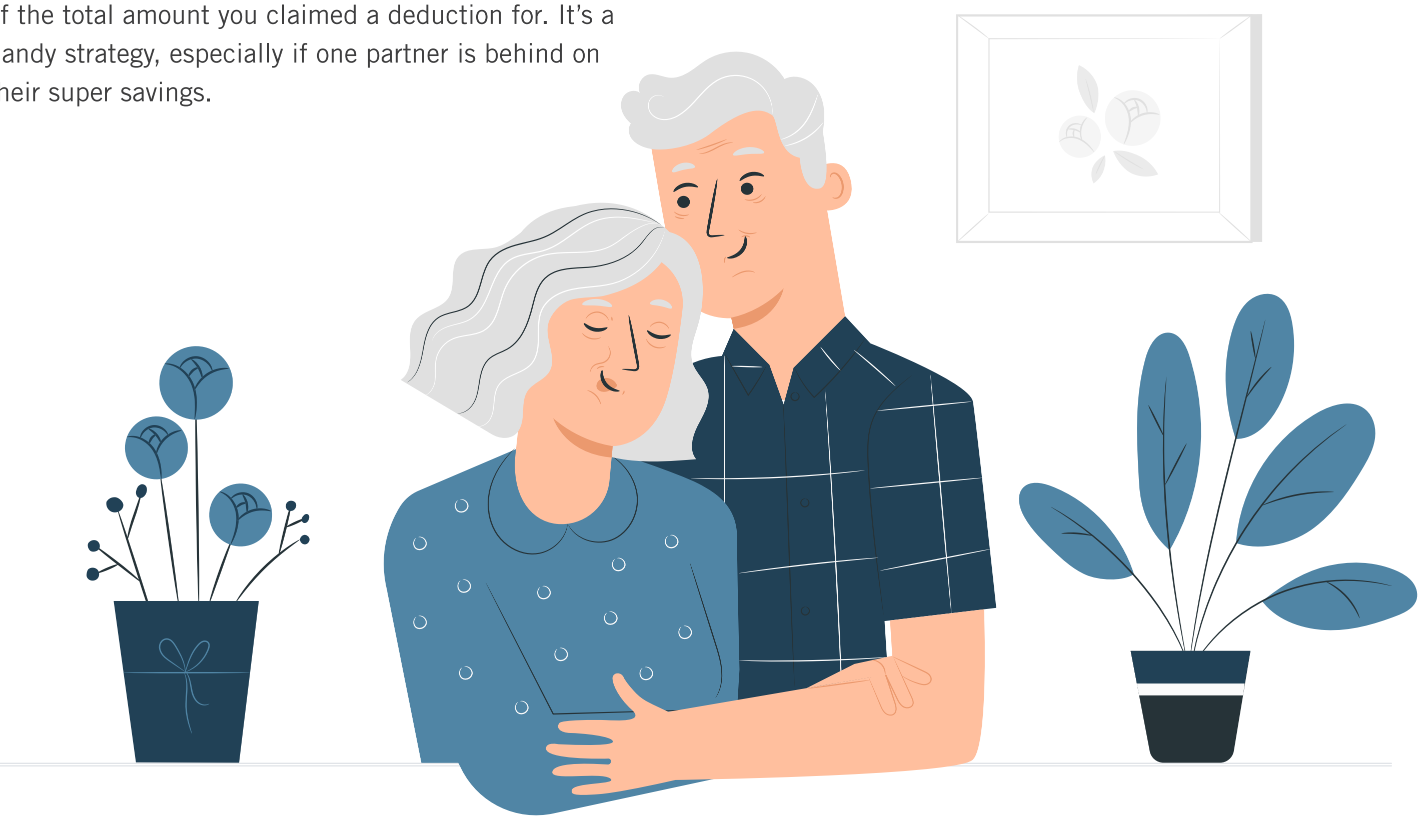


Important Things to Keep in Mind

Not all super funds support contribution splitting unless your spouse is also a member of the same fund. So it's essential to check with your provider to see if they allow **spouse contribution splitting**, and to request the relevant forms or procedures.

If you have a **self-managed super fund (SMSF)**, it's much easier - we can handle the whole process for you.

Want to know more about superannuation before the end of financial year? Why not speak with a licensed adviser about the subject?



Don't Let Your Parents' Legacy Become A Costly Tax Bill!

One of the most significant tax burdens in Australia can arise when superannuation death benefits are paid to an adult child.

These benefits can be taxed at up to 17% on the capital, and the amount is also included in the recipient's taxable income.

This can affect eligibility for a range of means-tested benefits, such as child support assessments, childcare subsidies, private health insurance rebates, and even trigger the additional 15% tax on super contributions.

The combined effect can add thousands of dollars to the overall tax bill on a parent's superannuation.

Many older Australians were advised to keep their money in super for as long as possible - advice that made sense when the 15% tax on death benefits could be offset. However, this option was removed in 2017.

Now, retaining funds in their super until death may lead to significant tax liabilities. In contrast, some individuals could withdraw their super early, pay little or no tax, and potentially save their children tens of thousands in unnecessary taxes.

If your parents have money in a super fund, it's worth having a conversation with us.

We can potentially help model the tax implications of keeping funds in super versus withdrawing earlier, helping your family make informed choices and potentially avoid a costly tax bill.

Is My Loan in the Right Place?

As the end of the financial year approaches, it's a great time to pause and take stock of your financial situation. For most Australians, the two biggest financial assets are the family home and superannuation.

Making minor improvements, such as saving a bit on your home loan interest or increasing your super's performance, can make a big difference to your long-term wealth. That's why it's worth reviewing both regularly.

So, is your home loan still the best deal it could be?

Now might be a great time to chat with your bank and see if there's any room to negotiate a better rate. Sometimes a friendly haggle can go a long way!

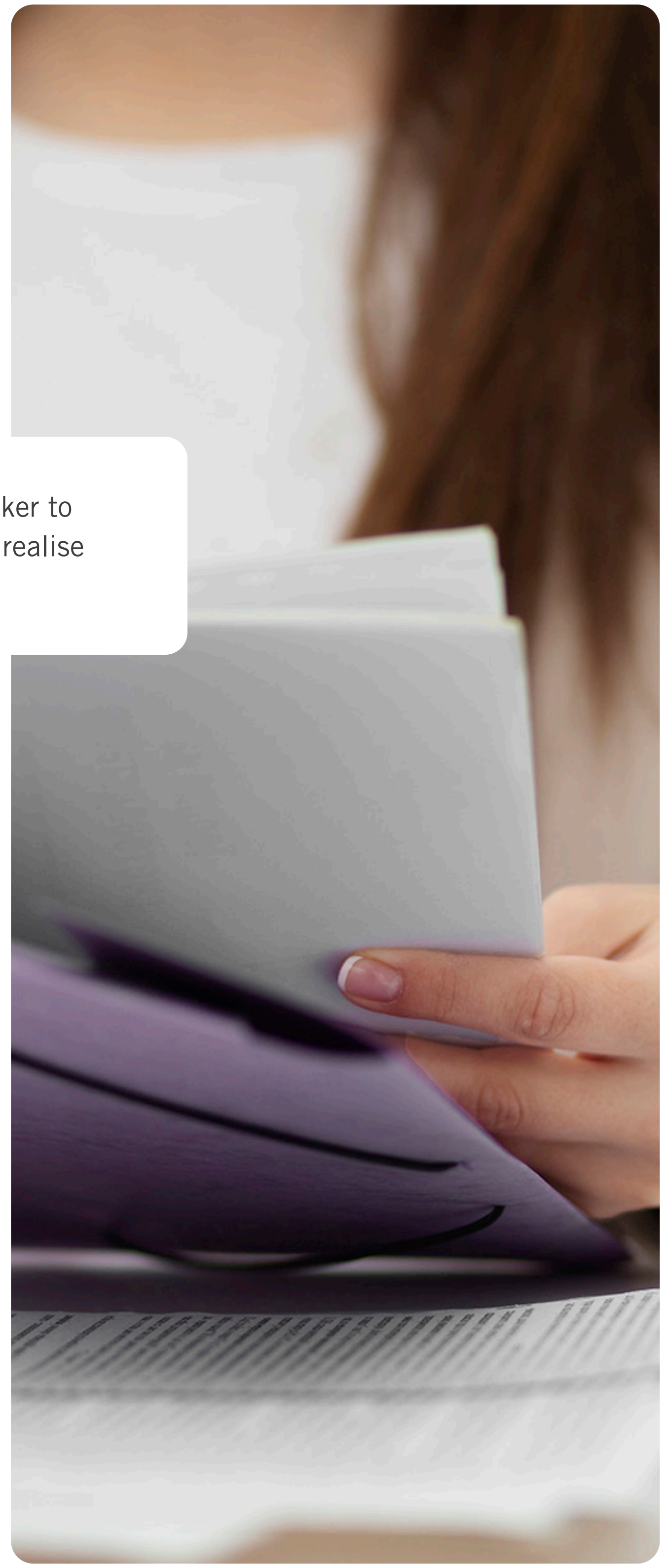
Or, if that's not your style, consider asking a mortgage broker to do a full review, as they might uncover savings you didn't realise were possible.

It's also worth thinking about what features you're using.

For example, do you need to pay extra for a redraw facility if you're only making the minimum repayments or don't plan to redraw your loan? Sometimes it's better to skip the bells and whistles if it means paying less interest in the long run.

Plus, if you've got investment loans, it may be worth exploring whether refinancing at a lower rate - possibly even as a home loan if you've got enough equity - could help ease the pressure.

A few simple tweaks now could set you up for a stronger financial year ahead.



Will You Sell Your Business In The Future?

If you own a business, the answer to this question is probably yes - you should be thinking ahead about how to sell it in the most tax-effective way.

Naturally, you'll want to get the best possible price for your business, and ideally, pay the least amount of tax on the sale. In many cases, a well-structured small business can even be sold tax-free. But that doesn't happen by accident - it takes planning.

We need to perform important checks each year to ensure that you're in the best position to qualify for small business tax concessions when it comes time to sell.

One of those key checks involves identifying your connected entities and affiliates—in simple terms, the other businesses or structures you control or have influence over.

Why Does This Matter?

When calculating whether you meet the eligibility thresholds (like turnover and net asset value), your business and the turnover and assets of all your connected entities and affiliates must be considered and included.

The last thing you want is to go through the sale process only to discover that an overlooked entity pushes you over the threshold and disqualifies you from key tax concessions.

The good news is that with enough notice, things can be done.

A review can be conducted on how your entities are owned, and restructuring can be looked into if needed. How your spouse is connected for tax purposes could be changed, and in some cases, that alone can double the turnover threshold before tax concessions are affected.

Another critical step is to assess the **market value of your assets**, including personal ones.

If your total net assets approach the $6 million cap, strategies like contributing to superannuation or upgrading your main residence can be considered. Both could help you stay under the limit and save substantial tax when you sell.

But timing is everything. These kinds of strategies can often take years to implement correctly, which is why it's so important to start planning well before you're ready to sell.

If you're considering selling your business down the road, let's have a chat now so you won't be caught off guard later. The end of the financial year is the perfect time to strategise for your business with the aid of an advisor - why not see how else we can help before 30 June?

Should I Keep Paying For My Insurance Through My Super Fund?

The end of the financial year is the perfect time to review your insurance arrangements, including your general business insurance and personal life insurance policies.

Many believe it's best to hold life insurance through superannuation, largely because the premiums can be tax-deductible. While this can be a smart strategy sometimes, it's not always the best fit for everyone.

When you pay for life insurance through your super, you're drawing down your super balance.

While there are limits on how much you can contribute to super, there's no limit on how much can be deducted to cover insurance premiums.

In some extreme cases, people may unknowingly reduce their retirement savings by funding large insurance premiums through super, while building investment assets outside of super and paying more tax on the income those assets generate, which can significantly hinder long-term wealth creation.

That said, if you're not contributing the maximum to your super each year, then funding life insurance through super can be tax-effective.

For lower-income earners, holding assets in your own name may also have no tax disadvantage. It's also worth considering whether your insurance through super is more affordable or simply the most practical way to ensure you're covered, especially if your cash flow outside of super is limited.

Another important consideration is who your beneficiaries are. If you're planning to leave your life insurance to adult children or if you need to claim a TPD (Total and Permanent Disability) benefit, depending on how your policy is structured, there may be tax implications.

That's why it's essential to review your insurance with both an accountant to help you navigate the tax side and an insurance adviser to ensure you've got the right coverage at the best price.

A little planning now can make a big difference to your future. Why not ask us how we can assist you at the end of the financial year with your tax, super or business needs?

Instant Asset Write-Off Extension Granted

Notably, in the 2025-26 Budget announcement, the instant asset write-off extension was not initially included.

However, the Government has revised and promised to extend the $20,000 instant asset write-off for a further 12 months, until 30 June 2026. As a result, other parties and independents are debating an increase to the amount, and the measure's permanency, particularly concerning their election promises.

The Opposition party, for example, has promised to make the measure permanent and increase the threshold to $30,000 as part of its election policies.

What Does This Mean For The 2024-25 Income Year?

If your business has an aggregated turnover of less than $10 million, you'll be able to:

- Immediately deduct the full cost of eligible assets costing less than $20,000 – provided they are first used or installed ready for use between 1 July 2024 and 30 June 2025.
- Claim a deduction for certain improvements or additions (known as "second element costs") made to assets you've already written off in previous years. To qualify, the extra cost must be:
  - The first amount you've spent on the asset after the year it was written off, and
  - Less than $20,000, and incurred between 1 July 2024 and 30 June 2025.

Notably, the $20,000 threshold applies per asset, not in total. So you can write off multiple assets under this rule, as long as each one is under the $20,000 limit.

What About Assets Over $20,000?

You won't get the full write-off immediately if an asset costs $20,000 or more. Instead, you can still place it into the **small business depreciation pool:**

15% Deduct **15% in the first year** the asset is used or installed, ready for use

Then **30% each year after that** **30%**

The impact of this measure ending on your end-of-year planning could have required an entirely new strategy, if it had not been addressed!

Do you need further assistance or more information on this subject? Please speak with one of our trusted tax advisers - we are here to help.