

10 July 2025

Dear Client,

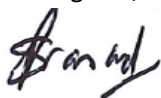
Important Information re 2025/2026 Financial Year

We have attached a checklist of records you may wish to collate to assist with the preparation of your 2025 tax return. This may assist you towards reducing your tax exposure, improving the opportunities available to you and reducing your risk of an audit by the regulators.

We also enclose some information on the changes for the 2026 tax year to assist you. Our regular client alert tax updates/newsletters will also help to keep you abreast of any changes that may impact your financial situation.

We want to help you achieve the best result possible. If there is any additional information we can provide, or if we can assist you with your individual situation, please contact us today.

Kind regards,



HANCOCK & ASSOCIATES

Minimising the cost of end of year compliance

Having your paperwork organised always makes life much easier. Preparing your end of year documents and information prior to sending to us or coming to see us will save you time and money. This is a general list of what to provide (where applicable).

INCOME

- ☐ ETP statements
- ☐ Interest income from banks and building societies
- ☐ Dividend statements for dividends received
- ☐ Tax statements of managed investment funds
- ☐ Rental property statements from real estate agent and details of other expenditure incurred
- ☐ For share sales or purchases, the purchase and sale contract notes
- ☐ For real estate sales or purchases, copy of contracts and the solicitor's correspondence for the purchase and sale
- ☐ Foreign source income including foreign pensions and details of foreign assets or property
- ☐ Superannuation income stream, lump sum payments and annuities details
- ☐ Details of any transactions involving cryptocurrency (e.g., Bitcoin)
- ☐ Details of any income derived from the sharing economy (e.g., Uber driving, rent from AirBNB, jobs completed through Airtasker etc.,)
- ☐ Other income from any source such as Employee Share Schemes, contract work and bonuses from life insurance companies, etc.
- ☐ The ATO Prefill Reports will capture a lot of information noted above, please provide your records so these can be checked and compared to the Prefill reports.

DEDUCTIONS

- ☐ Home office expenses, work from home diary
- ☐ Electric car details
- ☐ Any expenses related to your work you have not claimed from your employer
- ☐ Work related car expenses include travel diary or logbook
- ☐ Purchase of uniforms, protective clothing, dry cleaning and laundry expenses
- ☐ Other work related expenses such as Union fees, telephone, tools, etc.
- ☐ Self-education expenses
- ☐ Work related travel expenses
- ☐ Donations to charities
- ☐ The purchase price of foreign pensions or annuities
- ☐ Payments for income protection or sickness and accident insurance
- ☐ Health insurance and rebate entitlement
- ☐ Other expenditure that you might consider relevant to your income tax return

OTHER INFORMATION

- ☐ Superannuation contributions for spouse or personal superannuation contributions
- ☐ Details of any salary sacrifice arrangements with your employer
- ☐ Spouse and children details (income and dates of birth)
- ☐ Details of Child Support you paid or receive
- ☐ Bank account details (for tax refund)

What's new

Medicare levy low-income threshold

The Medicare levy low-income thresholds for singles, families, seniors and pensioners will increase from 1 July 2025. This means that you will be able to earn more before having to pay the 2% Medicare Levy.

Threshold	2023-24	2024-25
Singles	\$26,000	\$27,222
Family	\$43,846	\$45,907
Single seniors & pensioners	\$41,089	\$43,020
Family seniors & pensioners	\$57,198	\$59,886
Each dependent child or student (increase to family threshold)	\$4,027	\$4,216

Superannuation Guarantee increases to 12%

The gradual increase in the Superannuation Guarantee (SG) rate will continue with a final increase to 12% on 1 July 2025.

What this will mean to you depends on the terms of your employment agreement. If your employment agreement states you are paid on a 'total remuneration' basis (base plus SG and any other allowances), then your take home pay might be reduced by 0.5%. That is, a greater percentage of your total remuneration will be directed to your superannuation fund. For those paid a rate plus superannuation, then your take home pay will remain the same, but your superannuation balance will benefit from the increase. If you are used to annual increases, the 0.5% increase might simply be absorbed into your remuneration review.

Concessional superannuation contribution

The concessional contributions cap is the maximum amount of before-tax contributions you can contribute to your super each year without contributions being subject to extra tax.

From 1 July 2024, the concessional contributions cap is \$30,000.

HECS-HELP debts

The Australian Government has proposed several updates to the study and training loan system, including HECS-HELP, VET Student Loans, and the Australian Apprenticeship Support Loan. These measures are aimed at easing the financial pressure on borrowers and are subject to the passage of legislation, expected to be introduced in Parliament after 22 July 2025.

20% reduction

A 20% reduction in loan balances is planned to take effect on 1 June 2025. This reduction would apply to the loan balance on that date, prior to the application of indexation. For example, someone with a \$50,000 debt may have their balance reduced by \$10,000.

This adjustment will be automatically applied by the ATO once the necessary legislation is in place. It is important to note that voluntary repayments made before 1 June 2025 will not be eligible for a refund or credit under this reduction initiative.

Indexation

The government has also made changes to the way student loan indexation is calculated. Instead of using only the Consumer Price Index (CPI), indexation will now be based on whichever is lower between the CPI and the Wage Price Index (WPI).

This change has been backdated to cover indexation applied from 1 June 2023. As a result, the indexation rate for 2023 was reduced from 7.1% to 3.2%, and the rate for 2024 was reduced from 4.7% to 4.0%. Borrowers who were affected by the earlier, higher rates have received loan balance adjustments or refunds, which can be viewed in their ATO online accounts.

Minimum income threshold

From 1 July 2025, changes are also proposed to how loan repayments are calculated. The minimum income threshold for making compulsory repayments will increase from \$54,435 to \$67,000.

In addition, a marginal repayment system will be introduced. This means that repayments will only apply to the portion of income above the threshold, rather than being calculated on the borrower's full income. These changes are expected to reduce repayment obligations for many borrowers.

4.2 cent electric car home charging rate

If you personally own or lease an electric car that's been used for work and use the logbook method to calculate deductible running costs, it can be challenging trying to work out the cost of electricity used in charging the vehicle at home.

The ATO has some shortcut methods that help with this. Where you meet some basic eligibility conditions, you can choose to calculate electricity costs by the EV home charging rate, which is 4.20 cents per kilometre.

To use this method, you must have:

- Opening and closing odometer records for the vehicle and
- Keep one home electricity bill to help substantiate that you've incurred this cost.

While this doesn't apply to plug-in hybrid vehicles with an internal combustion engine, the ATO is currently in the process of updating the guidelines to include an alternative method for these vehicles.

ATO interest charges

From 1 July 2025, General Interest Charges (GIC) and Shortfall Interest Charges (SIC) will no longer be tax-deductible. This change will impact how interest on unpaid or underpaid tax liabilities is treated, and it is important for all taxpayers to carefully consider how this may affect their tax position.

While GIC and SIC may accrue over time, for tax purposes, they are often treated as being incurred from a specific day, usually the day the relevant assessment is issued. This means the timing of assessments can be critical. For example, if a notice of assessment is issued before 1 July 2025, at least some of the associated GIC or SIC might still be deductible. On the other hand, if the assessment is issued on or after 1 July 2025, the entire amount could be non-deductible even if some of the interest accrued in an earlier period.

Until now, all taxpayers have been entitled to claim a deduction for GIC and SIC under a specific provision in the tax legislation. This provision will be repealed and a new rule inserted to ensure that these charges are non-deductible from 1 July 2025. The ATO will still have discretion to remit GIC and SIC, but the treatment of any remitted interest will differ depending on when it was incurred:

- If deductible GIC or SIC (i.e. incurred before 1 July 2025) is later remitted, it will be included in your assessable income.
- If non-deductible GIC or SIC (i.e. incurred from 1 July 2025 onwards) is remitted, it will not be assessable.

In situations where GIC is incurred daily such as on unpaid tax debts it is expected that only the interest accrued and incurred up to 30 June 2025 will remain deductible. GIC incurred from 1 July 2025 will be non-deductible, even if it continues to relate to older tax debts.

We encourage you to review your current tax position and discuss any exposure to GIC or SIC with us ahead of 30 June 2025.

Areas of ATO scrutiny

Work-related deductions

The ATO has highlighted some of the most unusual and ineligible tax deduction claims submitted in the past year, along with its key compliance priorities for the 2025 tax season.

The ATO rejected several unconventional claims, including:

- A mechanic who attempted to deduct personal items such as an air fryer, microwave, two vacuum cleaners, a TV, gaming console, and accessories.
- A truck driver who tried to claim swimwear expenses, arguing it was necessary for swimming during rest stops in hot weather.
- A fashion industry manager who sought deductions exceeding \$10,000 for luxury-branded clothing and accessories, intended for work events and functions.

Claims must have a clear connection to income-earning activities and be supported by records such as receipts or invoices. If you aren't sure whether something might be deductible or not, please contact us and let us know the details so that we can help.

Work from home expenses

If you work from home, there are two methods to claim working from home expenses:

- The actual expense method.
- The revised short-cut method

If you are using the revised short-cut method, then a rate of 70 cents per hour applies to energy expenses (electricity and gas), internet expenses, mobile and home phone expenses, and stationery and computer consumables for the year ending 30 June 2025. You can separately claim other costs, such as depreciation on computers or other running costs not referred to above.

To use the revised short-cut method, you will need a record of all of the hours you worked from home. The ATO has warned that it will no longer accept estimates or a sample diary over a four-week period. For example, if you normally work from home on Mondays but one day you have an in-person meeting outside of your home, your diary should show that you did not work from home for at least a portion of that day.

You also need to keep a copy of at least one document for each running cost you have incurred during the year which is covered by the short-cut method. This could include invoices, bills or credit card statements. Where bills are in the name of one member of a household but the cost is shared, each member of the household who contributes to the payment of that expense will be taken to have incurred it. For example, a husband and wife, or flatmates where they jointly contribute to costs.

The ATO will also be closely examining claims where individuals attempt to deduct their entire bill or a substantial portion as work-related. It is particularly focused on identifying cases of "double dipping" — where taxpayers use the 70 cents per hour rate, which already includes phone expenses, and then also claim mobile phone costs separately.

Occupancy expenses

You cannot claim occupancy expenses such as rent, mortgage interest, property insurance, and land taxes and rates unless your home is a place of business. It is unusual for an employee's home to be classified as a place of business.

Rental properties

With a recent ATO review indicating that 9 out of 10 rental property owners are making mistakes in their tax returns, rental property owners remain a key focus of the ATO this tax time. Key areas of concern include:

The difference between repairs and maintenance and capital improvements

While repairs and maintenance can often be claimed immediately, a deduction for capital works is generally spread over a number of years. Repairs must relate directly to the wear and tear resulting from the property being rented out and cannot be claimed for repairs required when you first purchased the property. Repairs and maintenance expenses generally involve restoring the property back to its previous state, for example, replacing damaged palings of a fence.

Capital works however, such as structural improvements to the property, are deducted at 2.5% of the construction cost for 40 years from the date construction was completed. Where you replace an entire asset, like a hot water system, this is a depreciating asset and deductions are claimed over time (different rates and time periods apply to different assets).

Interest on loan expenses

You can normally claim interest on the amount borrowed for the rental property as a deduction. However, where any part of the loan relates to personal expenses, or where part of the loan has been refinanced to free up cash for your personal needs (school fees, holidays etc.), then the loan expenses need to be apportioned and only that portion that relates to the rental property can be claimed. The ATO matches data from financial institutions to identify taxpayers who are claiming more than they should for interest expenses.

Co-owned property

Rental income and expenses must normally be claimed according to your legal interest in the property. Joint tenant owners must claim 50% of the expenses and income, and tenants in common according to their legal ownership percentage. It does not matter who actually paid for the expenses.

Timing

Expenses for a rental property can only be claimed for the periods that the property was genuinely available to rent. For example, if you have a short-term rental property but you choose to use it personally for 10 weeks over Christmas, you cannot claim expenses, including interest expenses, over this period.

Reporting tightened for the sharing economy

It's essential that any income earned from sharing economy platforms such as Airbnb, Stayz, Uber, etc., is declared in your tax return.

Since 1 July 2023, the platforms delivering ride-sourcing, taxi travel, and short-term accommodation (under 90 days), have been required to report transactions made through their platform to the ATO under the sharing economy reporting regime. All other sharing economy platforms were required to start reporting from 1 July 2024.

This reporting regime, combined with the ATO's data matching programs, mean that if income is not declared, it's likely you will receive a "please explain" request from the regulator.

The ATO is also reminding taxpayers to declare all sources of income, including side hustles (such as ride sourcing services or selling services via an app).