newsletter

What's new

Income Tax thresholds/amounts

Some, but not all, income tax thresholds and amounts changed on 1 July. The more common ones affecting sole traders or other individuals are listed below.

Item	2025-26	2026-27
GDP adjustment factor	4%	5%
Instant asset write-off	$20,000	$20,000
Car limit (depreciation)	$69,674	$69,883
Cents-per-km rate	88c	91c
Div 7A benchmark interest rate	8.37%	8.77%
CGT improvements threshold	$187,962	$194,165
Reasonable meal expenses – employee truck driver	Breakfast - $31.15 Lunch - $35.55 Dinner - $61.30	Breakfast - $32.15 Lunch - $36.80 Dinner - $63.45
Reasonable meal expenses – other employees	See Taxation Determination TD 2025/4	See Taxation Determination TD 2026/4
Overtime meal allowance – reasonable amount	$38.65	$40.00

Instant asset write-off

Are you a sole trader (with annual turnover under $10 million) who uses the simplified depreciation rules? Then you are allowed an immediate deduction for a depreciating asset if it costs less than the relevant threshold (this is called the instant asset-write off). See further below under FROM THE ATO.

The instant asset write-off threshold for 2025-26 was $20,000. Legislation has been enacted making the $20,000 threshold permanent, as from the current income year (2026-2027).

CGT changes

The capital gains tax (CGT) changes announced in May in the Federal Budget for 2026-27 – reported in the Budget edition of the newsletter – have now been enacted. Generally, they do not come into effect until 1 July 2027.

Briefly, the changes:

- affect how a capital gain is calculated. The current 50% discount for CGT assets held for more than 12 months will be replaced by cost base indexation (the system that applied before the introduction of the 50% discount in 1999). However, if on or after 1 July 2027 you dispose of an asset acquired before 1 July 2027, the 50% discount will apply to the pre-1 July 2027 component of the capital gain;
- introduce a 30% minimum tax on capital gains of Australian resident individuals; and
- bring pre-CGT assets (those acquired before 20 September 1985) into the system – so from 1 July 2027, any gain accruing on and after that day to a pre-CGT asset will be subject to CGT.

There are various exemptions/concessions, including:

- the 30% minimum rate will not apply to certain income support recipients;
- new residential buildings will qualify for the 50% discount;
- the 50% discount will be available where a person inherits, or acquires as a result of a relationship breakdown, an ownership interest in a new residential dwelling from a spouse (or former spouse) or co-owner;
- the additional CGT discount for affordable housing (up to 60 per cent) will continue to apply.

Another change is that from 1 July 2027, all small business entities (aggregated annual turnover of $10 million) will be able to access the 50% CGT reduction (currently, only entities whose aggregated annual turnover is less than $2m can access the 50% CGT reduction) – this was not announced in the Budget.

Although the new rules do not apply until 1 July 2027, talk to your tax adviser at Perrier Ryan to see if you should do anything before then.

Negative gearing changes

The negative gearing changes announced in the Federal Budget in May have also been enacted.

Negative gearing allows the owner of an investment property to offset net rental losses (where deductible outgoings exceed income from the property) against income from other sources, such as salary and wages.

From 1 July 2027, you will not be able to negatively gear residential property acquired after 7.30 pm AEST on 12 May 2026 (a post-Budget property). Instead, losses can only be set off against assessable income and gains from other residential properties.

You will be able to negatively gear a post-Budget property until 1 July 2027, ie negative gearing still applies for the 2026-27 income year.

The new rules will not apply to residential property acquired before 7.30 pm AEST on 12 May 2026. You will be able to continue to negatively gear that property until you sell it, even if that happens after 1 July 2027.

Note : the date of acquisition is the date of the relevant contract.

Inheritance or marriage breakdown concession

When the negative gearing changes were being considered by Parliament, concerns were raised about the situation where a person inherits an interest in a residential property from a spouse, former spouse or co-owner, or obtains an interest in a residential property on a relationship breakdown, and the spouse, former spouse or co-owner was negatively gearing the property.

As a result, other legislation was enacted to ensure that in those circumstances, the person inheriting or acquiring the ownership interest can maintain the tax treatment that applied to that interest before it was passed to them. Thus, if the spouse, former spouse or co-owner was negatively gearing the property (or their interest in it), the person inheriting or acquiring the ownership interest can continue to negatively gear.

> Talk to your Perrier Ryan tax adviser if you have any concerns about how the new rules will operate.

Discretionary Trusts

The proposal in the Budget to tax (from 1 July 2028) trustees of discretionary trusts on the income of the trust at a minimum rate of 30% is still being considered by Treasury. Draft legislation should be released fairly soon.

Closely held Trusts

The way that beneficiary tax file numbers (TFN) are reported by closely held trusts has changed.

From 1 July 2026, the trustee of a closely held trust is no longer required to send to the ATO a TFN report after a beneficiary quotes their TFN to the trustee. Instead, the beneficiary TFN must be reported in the statement of distribution when completing the trust tax return.

This does not change TFN withholding and reporting obligations of trustees where the beneficiary's TFN has not been quoted before the payment of any distributions.

Tax time …. Again!

If you *do not use* Perrier Ryan (or another tax agent) to prepare and lodge your tax return, you should lodge the return for the 2025-26 income year by 31 October this year. If the return is lodged late, you may be liable to pay an administrative penalty.

If you *do use* Perrier Ryan (or another tax agent) to prepare and lodge your tax return, the due date for lodgment may well be later than 31 October. For example:

- *31 March* – the due date for individuals and trusts whose latest return resulted in a tax liability of $20,000 or more.
- *15 May* – the due date for individuals and trusts that do not have to lodge earlier and are not eligible for the 5 June concession.

The 5 June concession allows an extended lodgment period (to 5 June) for individuals and trusts with a lodgment due date of 15 May, provided they also pay any liability due by this date.

Lodging a tax return

Are you a sole trader?

- Even if your income is below the tax-free threshold ($18,200), you still need to lodge a tax return.
- Do you pay PAYG instalments? Lodge your activity statements and pay all your PAYG instalments before you lodge your tax return so your income tax assessment takes into account the instalments you've paid throughout the year.

Are you a partnership?

If you operate your business in a partnership, the partnership lodges the partnership tax return, reporting the partnership's net income or loss (assessable income less allowable deductions).

As an individual partner, you include in your individual tax return:

- your share of any partnership net income or loss;
- any other assessable income, such as salary and wages, dividends and rental income.

The partnership doesn't pay income tax on the income it earns. Instead, you and each of the partners pay tax on the share of net partnership income you receive.

Are you a trust?

If you operate your business through a trust, the trust reports its net income or loss (this is the trust's assessable income less allowable deductions).

- The trustee is required to lodge a trust tax return.
- As a trust beneficiary, you report on your individual tax return any income you receive from the trust.

Tax losses

A tax loss is when the total deductions you can claim, excluding gifts, donations and personal super contributions, are greater than your total income for an income year.

If you make a tax loss, you may be able to:

- offset the loss in the same income year against other assessable income; or
- carry forward the loss and claim it as a business deduction in a later year.

Make sure you have all the correct records.

Talk to your Perrier Ryan tax adviser about the best way to utilise tax losses and what records you should keep.

Non-commercial loss rules

If you're a sole trader or in a partnership and want to utilise a tax loss, first check if the business activity meets at least one of the commerciality tests under the non-commercial loss rules. (Those rules do not apply to losses made by primary producers and professional artists whose income from other sources is less than $40,000.)

If you meet one of the commerciality tests, then you can offset the loss against other assessable income (such as salary or investment income) in the same income year.

If you don't meet the commerciality tests, you can carry the loss forward to future years. For example, you may be able to offset it when you next make a profit.

Non-commercial losses made by an individual with adjusted taxable income exceeding $250,000 are quarantined.

The non-commercial loss rules are complicated. Talk to your Perrier Ryan tax adviser if you have any doubts about whether a business activity satisfies any of the commerciality tests.

Personal services income

If you operate your business through a company or a trust, income earned by the company or trust from the provision of your personal services (personal services income or PSI) will be attributed to you unless:

- the company or trust is carrying on a personal services business (PSB); or
- the PSI was promptly paid to you as salary or wages.

The company or trust will be carrying on a PSB if at least one of a number of tests are satisfied. These are the results test (the most important test), the unrelated clients test, the employment test and the business premises test.

If 80% or more of your PSI (with certain exceptions) is income from one client (or the client and their associate(s)) and the results test is not met, the company or trust will need to obtain a PSB determination from the ATO.

The company or trust cannot deduct amounts that relate to gaining or producing your PSI, unless you could have deducted the amount as an individual or the company or trust received the PSI in the course of carrying on a PSB.

Even if you don't use a company or trust to derive your PSI, there are limitations on the deductions that you may claim against your PSI. For example, you may not be able to deduct certain home office expenses, for example, occupancy expenses such as mortgage interest or rent.

The PSI rules are complicated, especially if you provide your services through a company or trust. Talk to your Perrier Ryan tax adviser if you have any questions.

Small business tax offset

If you are a sole trader, an individual who is a partner in a business partnership or an individual who is a beneficiary of a trust that carries on a business, you may qualify for the small business tax offset if the business' turnover is less than $5 million (the general small business threshold is $10 million). The offset is not available to an individual acting as a trustee.

The offset is equal to 16% of the income tax payable on the taxable income that qualifies as the individual's net small business income. The offset is capped at $1,000.

ATO tips

The ATO has published some tips for preparing and lodging an income tax return.

- Don't be tempted to overclaim deductions or inflate expenses. The ATO has sophisticated data-matching and analytics that can quickly identify claims that don't stack up. The ATO may hold any refund for further investigation if it looks suspicious.
- Don't forget to report all income. Failure to do so may result in interest and penalties.
- Take your time. Check your information and bank and super details are up to date.
- Review the ATO's industry specific guides to understand what can be claimed and what records are required to prove it.
- Engage a registered tax agent before 31 October if you plan to use one, and check they are registered with the Tax Practitioners Board.
- Download the ATO app to track the progress of the return.
- Stay alert to scams. Remember the ATO will never project a number when calling or send an unsolicited message with a link asking you to provide personal information or log in to ATO online services.
- Rely on information from verified sources such as the ATO website, ATO app or a registered tax professional.
- If you have already lodged and realised you've made a mistake, for example forgetting to include some income, lodge an amendment.
- Calling the ATO will not speed up the progress of returns - most returns are processed within 12 business days, and the fastest way to check the progress of a return is through the ATO app or ATO online services.

The ATO also has a range of support services available including the Tax Help program, National Tax Clinic, tax and superannuation resources in over 20 languages including new content in Aboriginal and Torres Strait Islander languages, and ATO community.

Use a registered tax agent to help with your tax return, particularly if you run a business, have an investment property or own shares. The fee you pay is tax deductible.

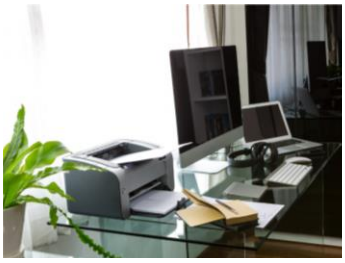
From the ATO

Instant Asset Write-off

If you are a sole trader and your annual aggregated turnover is less than $10 million, you can claim an immediate deduction for depreciating assets, such as tools or machinery, that cost less than the relevant threshold (known as instant asset write-off). This includes second-hand assets. There is one condition – you must use the simplified depreciation rules.

Examples of assets that you may be able to claim as an immediate deduction under instant asset write-off include:

- a car or ute;
- computers, laptops and tablets;
- concrete mixers;
- drills;
- electric sanders;
- electric saws;
- grinders;
- high-pressure water cleaners;
- ladders;
- lawn mowers;
- leaf blowers;
- nail guns;
- shelving and storage;
- tool-boxes;
- work lights.



The instant asset write-off threshold for 2025-26 was $20,000. As advised above, legislation has been enacted making the $20,000 threshold permanent, as from the current income year (2026-27).

You claim the deduction in the income year in which the depreciating asset is first used, or installed ready for use, for a taxable purpose. The most obvious taxable purpose is producing assessable income, but there are others such as exploration or prospecting and environmental protection activities.

If you have claimed an immediate deduction for an asset in a prior income year, you can also immediately deduct an amount included in the second element (cost addition) of that asset's cost, where the amount is both:

- the first deductible amount of the second element cost incurred after the end of the income year in which the asset was written off; and

- less than the relevant limit amount for the income year it is being claimed ($20,000 for 2025-26 and 2026-27).

Second element costs are essentially costs incurred after the asset is acquired that bring the asset to its present condition (eg the cost of post-acquisition modifications) and location (eg transport costs).

If a depreciating asset costs $20,000 or more, it must be placed in the small business pool.

Talk to your Perrier Ryan tax adviser if you are unsure whether your business can claim the instant asset write-off for a depreciating asset.

Business expenses

If you are a sole trader, you can claim a business tax deduction for most expenses from carrying on your business, as long as they are directly related to earning your assessable income.

To claim business expenses:

- the money must have been spent for your business (not a private expense);
- if it is for a mix of business and private use, you can only claim the portion that is related to your business;
- you must have a record to prove it.

Operating expenses you may be able to claim include:

- computer consumables (for example, printer ink);
- drop sheets;
- insurance (for example, public liability insurance, professional indemnity insurance and personal accident and illness insurance);
- masking, gaffer or duct tape;
- oil;
- replacement belts for machines.

Protective clothing or items

You can generally claim a deduction for the cost of:

- protective clothing (such as hi-vis vests and steel-capped boots);
- protective and safety equipment as well as occupation health and safety equipment (for example, safety glasses, safety helmets and earmuffs, or sunscreen, sunhats and sunglasses where you are required to work outdoors);
- items that protect you or your employees from safety hazards involved in performing work duties (for example hand sanitiser, sneeze or cough guards, face masks, gloves, other personal protective equipment, antibacterial wipes and other cleaning supplies used for business).

Home-based business expenses

A home-based business is one where an area of your home is set aside and used exclusively as a place of business.

If you operate some or all of your business from home, you may be able to claim tax deductions for the business portion of the expenses, including:

- occupancy expenses – see below;
- running expenses – see below; and
- the cost of motor vehicle trips between your home and other locations, if the travel is for business purposes.

The types of expenses you can claim depend on how you operate your business out of your home and the business structure. You can only claim deductions for the business portion of your expenses.

Remember, if your business is entitled to goods and services tax (GST) credits, also known as input tax credits, you can only claim a deduction for the GST exclusive amount of your expenses.

Occupancy expenses

These are expenses such as mortgage interest or rent, council rates, land taxes and house insurance premiums.

If you want to claim occupancy expenses, you must be able to demonstrate you incurred the expenses and all the following:

- the area of your home you used for work purposes is a place of business;
- it was necessary for you to work from home because your employer didn't provide an alternative place of business to work from;
- the nature of your income-earning activities requires you to have a place of business.

The following factors may help determine if an area of your home is a place of business. The area:

- is clearly identifiable as a place of business;
- isn't readily capable of being used for any other purpose, that is, private or domestic use;
- is exclusively or almost exclusively used for carrying on a business;
- is used regularly for client or customer visits.

For example, a home hair salon business that is in the home but separate from the family living areas and has a dedicated entry for clients would qualify as a place of business.

If you are eligible to claim occupancy expenses, you can claim a portion of those expenses based on:

- the floor area of the part of the home used as a place of business for work - and the period that part of the home was set aside as a place of business during the year;
- your share of ownership of the property – for example, if your house is owned or rented jointly with others, you can only claim your portion of the deductible occupancy expenses.

Generally, employees aren't eligible to claim occupancy expenses. Employees who make a personal choice to work from home rather than working in the office aren't entitled to claim occupancy expenses, even if they live a long way from their employer's place of business.

It's important to remember, when running your business from home, you may be liable for capital gains tax (CGT) when selling your home. If eligible, you may be able to reduce your CGT by applying the small business CGT concessions.

Running expenses

These include:

- cleaning costs;
- electricity charges for heating, cooling, lighting and to run electronic items used for work;
- gas charges for heating;
- mobile, home telephone and internet expenses;
- stationery and computer consumables;
- the decline in value (depreciation) and cost of repairs of:
  - → equipment, such as computers, tools and machinery;
  - → furniture, for example, chairs, desks and bookcases;
  - → furnishings, such as curtains, carpets, light fittings (you can only claim furnishings if you have a dedicated or separate room).

It is probably worth talking to your Perrier Ryan Advisor if you run your business from home

There are several ways to work out the business portion of your running expenses. You can use any of the three calculation methods, provided:

- it's reasonable in your circumstances;
- you exclude the percentage of costs that are your private (normal) living costs;
- you have records to show how you calculated the expense.

Your business use of the home area must be substantial and not incidental. For example, you can't claim electricity costs 24 hours per day simply because your fax machine is always on to receive business faxes.

The three calculation methods are:

- The *fixed rate method* (the simplest method) - this allows you to claim a fixed rate (70 cents) for each hour you work from home during the income year. If you use this method, you can't claim a separate deduction for any of these expenses. If you choose to this method, you need to keep a record of all hours worked from home for the entire income year (such as timesheets, roster or diary) and evidence for each of the running expenses covered by the fixed rate method that you have incurred.
- The *floor area method* – you can use this method if you have an area of your home set aside as a place of business. You divide the floor area set aside for business by the total floor area of the home to work out the percentage of relevant running expenses (such as cleaning, electricity and gas) that can be deducted. You can also claim a deduction for the decline in value of the business-related portion of depreciating assets and equipment.
- The *actual cost method* - you can use this method if you incur additional running expenses in operating your business from home. You don't need to have an area set aside exclusively for business, but you do need to keep records, such as receipts and bills, which show the amount of your expenses and the business-related use.

Buying tools for work

If you are an employee, you can claim a deduction for tools or equipment you use them work purposes. If you also use the tools or equipment for private purposes, you can only claim the work-related portion.

If you bought the tool or item of equipment part way through the financial year, you can only claim a deduction for the portion of the year that you owned it.

If the tools or equipment are supplied by your employer or another person, or you are reimbursed for the cost, you can't claim a deduction.

If a tool or item of equipment is only used for work and:

- costs more than $300 – you can claim a deduction for the cost over a number of years (decline in value);
- costs $300 or less – you can claim an immediate deduction for the whole cost.

If you buy an item for work that forms part of a set and the whole set costs more than $300 but the individual item costs less than $300, you can claim a deduction for the decline in value (depreciation) of the whole set. You can't claim an immediate deduction for each individual item. This is because the combined cost of the set is more than $300.

For example, if you buy a ratchet set for $350 you can only claim the decline in value of the set, even if you could buy each of the individual ratchets for less than $300 each. However, if in a later income year, you buy an additional socket to replace part of the set you have lost, you can claim the full cost of the socket if it costs less than $300.

Rental properties

The ATO has released updated guidance to clarify how it assesses rental property income and expenses from 1 July 2026, to reflect changes in the way investors rent out their properties.

A new taxation ruling (TR 2026/1 and two practical compliance guidelines (PCG 2026/2 and PCG 2026/3) provide updated advice and guidance for taxpayers earning income from their property, including:

- when income received for the use of a rental property will be assessable income;
- when expenses incurred can be claimed as deductions;
- how to apportion deductions when there are income producing and non-income producing periods;
- when deductions for a holiday home will be denied – see below.

The update applies to the short-term rental market (for example, using an online booking or sharing platform) as well as long-term rentals. The short-term market includes renting out a room in a main residence and renting out entire houses and holiday homes.

Holiday homes

Online booking platforms for short-term rentals have made it easier for people with a holiday home to rent it out while they're not using it. This requires careful consideration of the deductions they can claim, and the associated apportionment.

If you own a rental property and use it as a holiday home, you will need to make sure the property is used (or held for use) mainly to produce rental income to be eligible to claim certain deductions.

If it's not, you won't be able to claim any ownership or use expenses. These include:

- interest expenses;
- council and water rates;
- body corporate fees;
- repairs and maintenance.

Only expenses such as advertising, booking fees, commissions and cleaning after a guest stays are deductible.

If the holiday home is used mainly to produce income but with a small portion of private use (for example, a week or a few weekends in the off season when there are no bookings), you can claim a deduction for ownership and use expenses. However, expenses must be apportioned accurately to reflect the periods of private use.

Key tax dates

Date	Obligation
21 Sep 2026	August monthly BAS due
30 Sep 2026	Finalisation declaration (for Single Touch Payroll reporting purposes) for closely held payees where you have both closely held payees and arm's length employees
21 Oct 2026	September monthly BAS due Payment of annual PAYG instalment for 2025-26
28 Oct 2026	September quarter BAS due Payment of first PAYG instalment for 2026-27 by quarterly payers
2 Nov 2026*	2025-26 income tax return due (a later date may apply if you use a registered tax agent)
	PAYG withholding annual reports due (no ABN withholding; interest, dividend and royalty payments paid to foreign residents; and payments to foreign residents)

* *This is the next business day as the due date (31 October) is a Saturday*.

Note!

You can always confirm the correct due dates for your own tax obligations by contacting your adviser at Perrier Ryan. For example, you may have more time to lodge and pay if impacted by a natural disaster and quarterly payers may qualify for a 2-week extension to lodge their September BAS.