CARBONI & CO
CHARTERED ACCOUNTANTS

"Making Your Business Count"

1. **Tax Planning Tips**

As we approach the end of the financial year, it is always a good time to take a look at tax planning strategies to reduce the final year-end tax bill.

Common strategies to reduce tax include the following:

Deferring Income	Most taxpayers will not be assessed on income until received, consider delaying the receipt of income until next financial year.
Increase Expenditure	Individual taxpayers may claim an immediate deduction for items costing less than $300 provided used predominantly to earn non-business income (e.g., salary/wages). e.g., tools. If spend more than $300, generally claim only depreciation on work related equipment over useful life of asset. Claim for first tax year apportioned based on number of days owned during year. Small businesses, with aggregated turnover of less than $10 million, **will now only be able to immediately deduct the full cost of eligible assets costing less than AUD$1,000 that are first used or installed ready for use from 1 July 2025 onwards**. The current limit of $20,000 for Instant Asset Write Office will expire 30 June 2025. Assets valued at $1,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year after that. If a business, consider spending on depreciating asset which is immediately deductible for the 2025 year if purchased before 30 June 2025 and installed ready for use. It appears that after 30 June 2025, the limit will default back to $1,000. **If intend to purchase asset costing <$20,000, purchase before 30 June 2025 and install ready for use so can obtain deduction.** Note passenger vehicles limited to claim for $ 69,674 being ATO imposed cost limit. Eligible assets egs - cars, vans, kitchens, machinery, etc. Not eligible items are stock, software for business and Marketing costs.

Prepayments and Accelerated Deductions. (small business)	For small business taxpayers (i.e., turnover <$50 million), consider claim a deduction for payments in advance where • Less than $1,000; • Under contract for service (e.g., salary and wages); • Services received within 13 months. Employee/Directors bonuses are deductible if incurred by the year end 30 June 2025 if evidence of intention to pay – i.e., passing of resolution/ minute.
Defer Capital Gains Tax	Capital Gains are taxed in the year when contracts are exchanged (not settled). If expecting a large capital gain from the sale of property or shares, consider the following to reduce possible tax: • delaying the exchange of contracts until the next financial year to defer any tax payable. • selling non-performing shares for a capital loss to offset against any capital gain. • consider (if you have them) capital losses available from prior years to offset against gains. (Excludes losses from collectables); Ensure Property or shares held for at least 12 months to access the 50% general discount for individuals (if eligible for discount); 1/3% discount for superannuation funds.
Superannuation Deductions	For employers, to ensure superannuation for the quarter ended 30 June 2025 is tax deductible, must be paid before 30 June 2025. (These are known as concessional contributions) For employees (in particular those nearing retirement), consider salary sacrificing additional superannuation contributions which are taxed in a complying superfund at 15%. Employees can now claim a tax deduction for personal superannuation contributions made to the fund , up to cap limit ($30,000pa). **Note only contributions made to fund by 30 June 2025 are claimable as tax deduction in the 2025 tax return. Consider paying before 23 June 2025 to reach the Super Fund in time.**

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	Employer contributions count towards this limit. If exceed the concessional cap limit, additional tax may be payable. Individuals who are aged between 67 and 74 will need to meet the work test to be eligible to claim the deduction. The work test requires persons to work at least 40 hrs in 30 consecutive days during financial year. Please note that in considering making a concessional contribution for year end 30 June 2025, if you earn more than $250K, additional tax is payable on concessional contributions at 15%. The law requires that a personal super contribution deduction can only be claimed where an individual has received an acknowledged notice of intent from their super fund prior to lodging their income tax return. **A Notice of intent to claim or vary a deduction for personal superannuation contributions form must be lodged with the fund and acknowledgment received prior to lodging 2025 personal tax return and no later than 30 June 2026.** From 1 July 2025 the Superannuation Guarantee Charge increases from 11.5% to 12%.
Non Concessional Super Contributions and Bring Forward Rule	Non concessional contributions are those to which no tax deduction is claimed for these when made to fund. Limits for non-concessional contributions for year end 30 June 2025 is $120,000 per person. Excess contributions may attract more tax. Under Bring Forward rules, if you are aged under 75 years of age, you can bring forward total of 3 years non-concessional contributions in one year, and that translates into non-concessional super contributions of $360,000 for the 2024/2025 year), before you would exceed the non-concessional cap (if your total super balance on 30 June of the previous financial year is less than $1.66 million). Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions.

Super Co-Contributions	For taxpayers with assessable income <$44,488 per year, the Government will contribute 50c for each $1 of after-tax contributions by taxpayers, up to a $500 maximum co-contribution. Super co-contributions extend to the self-employed. Co-contributions reduces if income > $47,488 and phases out at $62,488.
Spouse Super Rebate	A taxpayer can receive a tax rebate of up to $540 for super contributions made for a spouse who has income <$40,000. Rebate is 18% of contribution amount up with max contribution $3,000.
Bad Debts	Write off bad debts before 30 June 2025 to obtain a tax deduction. To be validly claimed the debt must have previously been included as assessable income and written off in the debtors' ledger.
Transition to Retirement Pension and **retirement pension**	Once preservation age is reached transition to retirement income streams are a measure that allow individuals who have reached preservation age to access their superannuation benefits and continue working. The total payments made in a financial year must be no more than 10 per cent of the account balance as at 1 July of each year. From preservation age – age 59 the taxable component included in assessable income and taxed at marginal tax rates with 15 per cent tax offset. From age 60 pensions are Tax-free. Effective 1 July 2017, the tax exemption on earnings within TTR pension account will be removed for recipients who have not yet retired. Ensure the minimum required pension has been met.

	Consider effect of contributions towards new maximum limit of $1.9 Million allowed in pension balance from 01 July 2023. The maximum limit increases to $2m from 1 July 2025. *From 1 July 2025, the transfer balance will increase to $2 million dollars. Therefore, if individual is thinking about starting retirement phase income stream, they can put $100,000 more into tax-effective pension if they delay their pension to start from 1 July 2025 (cap $2m) than if they commence before then (cap $1.9m).*
Re-contribution strategy	**How the bring-forward arrangement works from 1 July 2023** The amount of the non-concessional contributions cap you can bring forward is either: • 3 times the annual non-concessional contributions cap over 3 years (that is, $360,000) if your total super balance on 30 June of the previous financial year is less than $1.66 million • 2 times the annual cap over 2 years (that is, $240,000) if your total super balance on 30 June of the previous financial year is above $1.66 million and less than $1.78 million • $1,780,000 to $1,899,999 – only one year contribution can be made for that year ($120,000) This measure may provide the opportunity for individuals to increase their superannuation savings into super which is a tax-effective environment. If member is reaching the cap, by withdrawing monies from super and recontributing non-concessional contributions to their spouse (equalise balances) individuals may potentially increase the amount deposited in tax-free pension as a couple.
Trust Distribution Resolutions	Due to recent court cases, the ATO now requires trust distributions for the 2025 year to be made by 30 June 2025. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2025 at 47%.

First Home Super Saver Scheme	The FHSS Scheme allows you to save money for a first home inside your superannuation fund. The scheme provides concessional tax treatment within super. From 1 July 2017 you can following voluntary contributions into your super fund to save for your first home: • Concessional contributions – including salary sacrifice amounts or contributions for which a tax deduction has been claimed. These are taxed at 15%. • Non-concessional contributions – these are made after tax or where a tax deduction has not been claimed. You can apply for the release of voluntary contributions up to a maximum of $15,000 from any one financial year and $50,000 in total across all years. You can contribute up to your existing superannuation contribution caps. Conditions apply to qualify.
Contributing proceeds of downsizing into superannuation	From 1 July 2018, the Australian Government introduced the Contributing the proceeds of downsizing into superannuation measure. This measure applies to the sale of your main residence, where the exchange of contracts for the sale occurs on or after 1 July 2018. If you are 55 years old or over and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home. Your downsizer contribution will not count towards your contributions caps or be affected by the total superannuation balance test in the year you make it. However, it will count towards your total super balance and transfer balance cap, currently set at $1.9 million. This cap applies when you move your super savings into retirement phase. You can only make downsizing contributions for the sale of one home. Conditions apply. The transfer balance cap increased to $1.9 million from 1 July 2023. From 1 July 2025 the transfer balance cap will increase to $2m

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Carry forward concessional contributions	• If you have unused cap amounts from previous years, you may be able to carry them forward to increase your contribution caps in later years. • Allows 5 years of concessional contributions (unused) to be utilised at once if total Superannuation Balance is < $500,000 as at 30 June 2024 • This deduction may be useful if expecting large capital gain. Can offset the deduction against the gain. • Unused cap amounts are available for **5 years** and expire after this • Splitting of spouse contributions will increase opportunity to use concession • Catch up contributions can trigger div 293 assessment

2. **What's new for 2025/2026 tax year.**

Personal tax rates 2025-26

The individual resident tax rates commencing 1 July 2025 are unchanged:

Rate 1 July 2025 to 30 June 2025	Rate
$0-$18,200	Nil
$18,201 - $45,000	16%
$45,001- $135,000	30%
$135,000-$190,000	37%
$190,001 +	45%

** Please note the above rates do not include Medicare Levy of 2% on taxable income and any Medicare Levy Surcharge (1.0-1.5%) which may be applicable.

Superannuation Guarantee rate will increase to 12% from 11.5%.

Small Business – $20,000 instant asset write-off from 1 July 2023 will cease 30 June 2025 and revert to $1,000 from 1 July 2025

The instant asset write-off threshold will revert to $1,000 from 1 July 2025. The current limit is $20,000 and expires 30 June 2025.

Small businesses, with aggregated turnover of less than $10 million, will be able to immediately deduct the full cost of eligible assets costing less than $1,000 that are first used or installed ready for use from 1 July 2025

Assets valued at $1,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year after that. **If intend to purchase asset costing <$20,000, purchase before 30 June 2025 so can obtain deduction for the whole amount.**

Limit From 1 July 2025 the maximum General Transfer Balance Cap will be $2,000,000.

This was indexed up from $1,900,000 in the previous two years. The limit is indexed by reference to CPI. It is indexed in $100,000 increments. A person's TBC is the maximum amount that can be transferred into pension mode in their super fund(s).

Transfers into pension mode cause a credit (increase) to a person's transfer balance account. Lump sum withdrawals cause a debit (decrease) to a person's transfer balance account.

From 1 July 2025, the transfer balance will increase to $2 million dollars. Therefore, if individual is thinking about starting retirement phase income stream, they can put $100,000 more into tax-effective pension if they delay their pension to start from 1 July 2025 (cap $2m) than if they commence before then (cap $1.9m).

Non-concessional (after-tax) contributions include:

- personal contributions for which you do not claim an income tax deduction, and
- spouse contributions.

Under Bring Forward rules, if you are aged under 75 years of age, you can bring forward total of 3 years non-concessional contributions in one year, and that translates into non-concessional super contributions of $360,000 (for the 2025/2026 year), before you would exceed the non-concessional cap (if your total super balance on 30 June of the previous financial year is less than $1.76 million).

Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions

Non-concessional contributions: Bring forward provisions

Person's Non-concessional contribution cap for the financial year ended 30 June 2026

Total Superannuation Balance at 30 June 2025	Standard non-concessional contribution cap for 2025-26	Non-concessional contributions cap for bring forward period 2025-26
Less than $1.76m mil	$120,000	$360,000 (over three years)
$1.76 to less than $1.88 mil	$120,000	$240,000 (Over 2 years)
$1.88 m to less than $2.0 mil	$120,000	$120,000 (no bring forward)
$2.0 mil or more	Nil	Nil

Person's Non-concessional contribution cap for the financial year ended 30 June 2025

Total Superannuation Balance at 30 June 2024	Standard non-concessional contribution cap for 2024-25	Non-concessional contributions cap for bring forward period 2024-25
Less than $1.66m	$120,000	$360,000 (over three years)
$1.66 to less than $1.78	$120,000	$240,000 (Over 2 years)
$1.78 m to less than $1.9 m	$120,000	$120,000 (no bring forward)
$1.9 m or more	Nil	Nil

Division 296 Tax Super tax changes for account balances above $3million from 1 July 2025 (not yet law)

The tax rate for superannuation fund earnings for individuals with account balances above $3m to increase to 30%. The 15% tax rate will continue for account balances below $3 million

Proposed 15% tax on earnings for >$3m TSB While the Labor government has not been able to get this legislation through Parliament, it remains their policy to implement it.

The sticking points which the Senate crossbench do not like are:
• No indexation of the $3m threshold; and
• Including unrealised gains in the calculation.

- Withdrawals in the 2025/26 that reduce balances to less than $3.m will be effective
- Make sure that valuations are accurate prior to 30 June 2025
- Analysis potential tax rates between retaining in superannuation v other investment options that might be available

20% reduction of student loan debt

The Australian Government is progressing the 20% reduction of Higher Education Loan Program (HELP) or student loan debt and has committed to this being the first piece of legislation it introduces in the next Parliament when it returns from 22 July 2025.

Following the passage of legislation, the ATO will apply the one-off 20% reduction. Individuals will not have to do anything. The 20% reduction will be calculated based on what a person's HELP debt amount was as at 1 June 2025, before indexation was applied.

Anyone with one of the following student loans will benefit from these measures:
- any of the HELP loans, including HECS-HELP, FEE-HELP, STARTUP-HELP, SA-HELP, OS-HELP
- VET Student Loans
- Australian Apprenticeship Support Loans
- Student Start-up Loans
- Student Financial Supplement Scheme

Work-related expenses

From 1 July 2024 the fixed rate method to claim additional running expenses from the working from home rate increased from 67 cents to 70 cents per hour. The government also proposed an automatic deduction of $1,000 without the need for substantiation, before the recent election. If passed by Parliament, this will simplify tax returns.

Foreign resident capital gains tax regime

The foreign resident capital gains tax (CGT) withholding rate was increased from 12.5% to 15% at the start of 2025 for contracts entered on after 1 January 2025. The $750,000 property value threshold was removed.

Foreign resident capital gains withholding (FRCGW) must be applied on all real property (property) sales, unless the vendor is:

- an Australian resident for tax purposes (Australian resident) with a valid clearance certificate issued by ATO at, or before settlement – without a clearance certificate, FRCGW must be withheld from the sale proceeds by the purchaser and paid to us
- a foreign resident (also known as a non-resident) with a variation notice specifying a reduced rate of FRCGW – without a variation, the purchaser must withhold the full rate of FRCGW from the sale price and remit that amount to us to go toward payment of this liability**.**

Purchasers must pay any amount they withhold to ATO at, or before settlement.

Interest charges

From 1 July 2025, taxpayers will no longer be able to claim tax deductions for general interest charges and shortfall interest charges. It is suggested to pay interest owed prior to 30 June 2025

Land Tax changes regarding Main Residence exemption :

- Revised PPR Exemption rules.

  Homeowners must own at least 25% of their property to qualify for the Principal Place of Residence exemption. This change impacts existing and new ownership structures.

** Note that information above is general in nature. Seek further advice before making decisions. **

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