ML | Partners Pty Ltd

COMBINING ACCOUNTING & WEALTH MANAGEMENT

Business Advice | Accounting | Taxation, Compliance & Planning | SMSF Administration | Estate Planning

AYR
145 EDWARDS STREET
AYR 4807
PHONE: (07) 4783 3944
EMAIL: adminayr@mlpartners.com.au
POSTAL: PO BOX 1305
AYR QLD 4807

VISITING OFFICES

TOWNSVILLE
SUITE 1,
458 FLINDERS STREET WEST
TOWNSVILLE QLD 4810

CAIRNS
SUITE 22,
WOREE BUSINESS CENTRE
12-20 TOOGOOD ROAD
WOREE QLD 4868

ABN 50 163 610 259
www.mlpartners.com.au

ML Partners Pty Ltd is a CPA Practice

Practice Update

Please read this update
and contact this office
if you have any queries

APRIL - JUNE 2025

Labor's Victory: Unpacking the promises and the priories

As the Labor party settle back into their seats having secured a majority in the House of Representatives, we look at the campaign promises and the unfinished business from the last term.

Individuals

- Personal income tax cuts: the 2025-26 federal budget introduced a modest income tax cut for all taxpayers from 1 July 2026 and again from 1 July 2027.
- The tax rate for the $18,201-$45,000 tax bracket will reduce from its current rate of 16%, to 15% from 1 July 2026, then to 14% from 2027-28. The saving from the tax cut represents a maximum of $268 in
- the 2026-27 year and $536 from the 2027-28 year.
- Legislation enabling the tax cut passed Parliament on 26 March 2025.

$1,000 instant work-related expenses tax deduction

- The Government has committed to providing taxpayers who earn labour income with a $1,000 shortcut work related deduction claim on their tax return.
- Taxpayers who are likely to have claims higher than $1000 can claim in the usual way.
- The simplified tax deduction is only available to those earning labour income. Those earning business or investment income only will not be able to claim this shortcut deduction.
- Taxpayers will be able to claim other non-work-related deductions in addition to the instant work-related deduction.

Energy rebate extended

The 2025-26 federal budget extended energy rebates. From 1 July 2025, households and small business will be eligible for a further $150 energy rebate until the end of the 2025 calendar year. The rebates will automatically apply to electricity bills in quarterly instalments.

Cheaper home batteries

The Government has committed to reducing the cost of home batteries from 1 July 2025. Through the scheme, households will be able to purchase a typical battery with a 30% discount on installed costs – saving around $4,000 on a typical battery. The initiative extends the existing Small-scale Renewable Energy Scheme.

5% deposit scheme for first home buyers

The Government has committed to a 5% deposit scheme for all Australian first home buyers. Under the scheme the Government will underwrite eligible first home buyers, enabling them to purchase a property with a 5% deposit without the need for Lenders Mortgage Insurance.

Expanding the existing first home buyer scheme, the media release says, "there will be higher property price limits and no caps on places or income, in a major expansion of the existing scheme."

The existing Home Guarantee Scheme is limited in places and subject to income tests. The scheme is open to Australian citizens or permanent residents who have never owned property or land in Australia, or have not owned property or land in Australia in the last 10 years, and available to owner occupiers only.

Superannuation

Legislation enabling the proposed Division 296 tax on superannuation balances above $3m lapsed when Parliament dissolved. The question now is whether the Government will seek to push this reform through the Senate with the support of The Greens.

Greens Senator Nick McKim has previously advocated for the Division 296 threshold to be lowered to $2m and indexed to inflation. In addition, the Senator tied his support for the tax to a "prohibition for super funds to borrow to finance investments."

Originally intended to apply from 1 July 2025, if enacted, Division 296 will increase the headline tax rate to 30% for earnings on total superannuation balances (TSB) above $3m. The proposed calculation captures growth in TSB over the financial year allowing for contributions and withdrawals. This method captures both realised and unrealised gains, enabling negative earnings to be carried forward and offset against future years.

Small business

Extending the instant asset write-off for small business: An increase to the $1,000 instant asset write-off threshold has been a consistent feature of federal budgets by various governments as an incentive for small business investment.

The extension of the increased instant asset write-off threshold to $20,000 for the 2024-25 financial was passed by Parliament on 26 March 2025. The Government has committed to extending the $20,000 instant asset write-off threshold to 30 June 2026.

National small business strategy

The Government has released its National small business strategy for consultation. The strategy primarily addresses how different government jurisdictions work with small business and how to relieve some of the friction when dealing across government systems and requirements.

Energy

Green Aluminium Production Credit: The Government has $2bn set aside for a new Green Aluminium Production Credit to support Australian aluminium smelters switching to renewable electricity before 2036 (there are four of them).

If you are wondering why the aluminium industry has been singled out, the reason is two-fold; aluminium is the second most used metal in the world and according to the Institute of Energy Economics and Financial Analysis, represents about 10% of Australia's electricity demand - Tomago Aluminium just north of Newcastle in NSW, is the largest single user of electricity in the country with electricity making up about 40% of its costs. Transition from brown to green energy is not just a consumption issue for the industry, it's a recreation of the value chain.

Under the initiative, smelters will be able to negotiate an emissions linked credit contract payable per tonne of green aluminium produced for up to 10 years. The final credit rates will be based on individual facility circumstances and be dependent on reducing Scope 2 emissions. Scope 2 emissions are indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling. They account for around 85% of emissions from aluminium smelting.

See: Aluminium to forge Australia's manufacturing future and Department of Industry, Science and Resources. New Green Aluminium Production Credit will support the transition to green metals.

From Airfyers to Swimwear: Tax Deductions to Avoid

With the 2025 tax season fast approaching the Australian Taxation Office (ATO) is reminding taxpayers to be careful when claiming work related expenses. This is in reaction to a spate of claims that didn't quite pass the 'pub test'. To give you a few examples of what didn't get through…

- A mechanic attempting to claim an air fryer, microwave, two vacuum cleaners, TV, gaming console and gaming accessories as work related expenses
- A truck driver seeking to deduct swimwear purchased during transit due to hot weather
- A fashion industry manager attempting to claim over $10 000 in luxury branded clothing and accessories for work related events

These claims were deemed personal in nature and lacked a sufficient connection to income earning activities. The advice here would be - if in doubt leave it out or run it by us.

2025 priorities

The ATO is focusing on areas where frequent errors occur including:

- Work related expenses: as above, claims must have a clear connection to income earning activities and be substantiated with records including receipts or invoices. Even if an expense seems to relate to income earning activities, it can't normally be claimed if it is a private expense. There are a wide range of common expenses that normally don't qualify for a deduction.
- Working from home deductions: taxpayers must prove they incurred additional expenses due to working from home. The ATO offers two methods for calculating these deductions: the fixed rate method and the actual cost method (more detail below).
- Multiple income sources: all sources of income, including side hustles or gig economy work must be declared. Each source may have different deductions available.

Working from home deductions

For those working from home there are two methods to calculate deductions:

- Fixed rate method: claim 70 cents per hour for additional running expenses such as electricity, internet and phone usage even if you don't have a dedicated home office. This method can only be used if you have recorded the actual number of hours you worked from home across the income year. A reasonable estimate isn't enough.
- Actual cost method: claim the actual expenses incurred, with records to substantiate the claims. This method potentially enables a larger deduction to be claimed, but the record keeping obligations are more onerous.

It's important to note that double dipping is not allowed. For instance, if you claim deductions using the fixed rate method you can't separately claim a deduction for your mobile phone costs.

As always, if you're unsure or need help with your tax return please reach out.

Taxi service and ride-sourcing providers must be registered

Taxpayers that provide taxi, limousine or ride-sourcing services must register for GST regardless of their turnover.

They must collect and pay GST and income tax on all their rides and all other business income.

The ATO is advising drivers in this industry who do not have a TFN, ABN or GST registration that they need to register now, and collect, report and pay GST on all their future rides.

They also need to report all their income from their rides in their next tax return.

Penalties and interest may apply for drivers who do not register for GST.

Drivers who have not declared all their income for ride-sourcing in prior years can amend a previous tax return.

$20,000 instant asset write-off for 2024/25

Taxpayers who have purchased or are purchasing a business asset this financial year should remember that the instant asset write-off limit is $20,000 for the 2025 income year.

If a taxpayer's business has an aggregated annual turnover of less than $10 million and they use the simplified depreciation rules, they may be able to use the instant asset write-off to immediately deduct the business part of the cost of eligible assets, as follows.

- The full cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use for a taxable purpose between 1 July 2024 and 30 June 2025.
- New and second-hand assets can qualify, although some exclusions and limits apply.
- If the taxpayer claimed an immediate deduction for an asset's cost under the simplified depreciation rules in an earlier income year, they can also immediately claim a deduction the first time they incur a cost to make an improvement to that asset if it is incurred between 1 July 2024 and 30 June 2025 and less than $20,000.
- The $20,000 limit applies on a per-asset basis, so taxpayers can instantly write off multiple assets as long as the cost of each asset is less than the limit.
- The threshold is due to drop back to $1,000 from 1 July 2025 unless further legislation is passed to provide another temporary increase to the threshold or a permanent modification.

The usual rules for claiming deductions still apply. Taxpayers can only claim the business part of the expense, and they must have records to prove it.

Beware websites sharing fake news on super preservation age

The ATO is warning the community about a *"proliferation of dodgy websites sharing fake news about changes to the superannuation preservation rules and withdrawal rules starting on 1 June."*

ATO Deputy Commissioner Emma Rosenzweig confirmed the maximum preservation age (the age when an individual can access their superannuation savings on retirement) is 60 for anyone born from 1 July 1964.

Minimum pension drawdown reminder

An SMSF must pay a minimum amount each year to a member who is receiving an account-based pension.

This minimum amount is calculated by applying the relevant percentage factor based on the member's age by the member's pension account balance calculated as of 1 July 2024, or on a pro-rata basis if the pension commenced part way through the 2025 financial year.

If the minimum payment is not made by 30 June, this could result in adverse taxation consequences for the member.

How to avoid common CGT errors

The ATO wants taxpayers to know that having a foreign resident capital gains withholding ('FRCGW') clearance certificate does **not** mean they do not have any further CGT obligations.

If taxpayers have sold property, they still need to include capital gains, losses or an exemption or rollover code in their tax return.

If an amount of FRCGW was withheld from the property sale, you should let us know and provide the 'FRCGW payment confirmation' from the purchaser.

Where you have lived in a property for any period during your ownership period you should provide us with the full details so we can determine the correct application of the main residence exemption.

Keeping not-for-profit records up to date

Taxpayers should remember that they are legally required to keep certain records for their not-for-profit ('NFP').

All organisations including NFPs are required to keep accurate and complete records of all transactions relating to their tax and superannuation affairs.

Generally, for tax purposes, taxpayers must keep their records in an accessible form (either printed or electronic) for **five years**.

Records that NFP taxpayers are required to keep include:

- governing documents;
- financial reports;
- documentation relating to grants; and
- registrations and certificates.

A good record keeping system will help taxpayers run their NFP successfully and manage their tax and super obligations.

If a taxpayer's NFP is endorsed as a deductible gift recipient ('DGR'), they must keep records that explain all transactions and other acts relevant to their organisation's status as a DGR.

This requirement applies to both endorsed DGRs and listed by name DGRs.

Truck driver entitled to claim meal expenses

In a recent decision, the Administrative Review Tribunal ('ART') upheld a truck driver's claim for meal expenses, notwithstanding that those expenses had not been fully substantiated.

The taxpayer was employed as a long-haul truck driver in Western Australia. He was away from home for considerable periods each year.

The taxpayer sought a deduction for meal expenses of $32,782 in the 2021 income year, apparently calculated by multiplying the number of days he was away from home (310) by the maximum reasonable daily allowance under Taxation Determination **TD 2020/5**.

The ATO only allowed the taxpayer a deduction for meal expenses of $5,890 based on a review of his logbook, fatigue diary and bank statements. This was an average of $19 per day multiplied by 310.

The ART found on the balance of probabilities that the taxpayer incurred the claimed expenditure, and it found that the taxpayer had met his burden of proof.

In this regard, the ART determined that the taxpayer incurred the disputed expenses in gaining or producing his assessable income, and it did not agree with the ATO that there was an insufficient linkage between the expenditure on bank statements and the taxpayer's work.

The ART held that the exception to the substantiation provisions applied to the taxpayer, as:

- a travel allowance was paid by the taxpayer's employer which covered the expenses;
- the taxpayer incurred the expenditure in gaining or producing his assessable income; and
- the expenditure fell within the ATO's reasonable travel amounts set out in TD 2020/5.

The ART accordingly allowed the taxpayer's claim for travel expenses in full.

ATO position on the Bendel decision

The ATO has released an interim decision impact statement on the Bendel case, with the ATO confirming that it won't revise its current views on the treatment of unpaid distribution owed to corporate beneficiaries as set out in TD 2022/11 until the appeal process is exhausted. The ATO has now released some further information on common issues that have been raised by private companies and their advisers.

First, the ATO will not be granting a blanket extension of time for affected companies to lodge their tax returns pending the special leave application or subsequent appeals. The ATO indicates that the application of other integrity rules in section 100A and in Subdivision EA of Division 7A don't depend on the outcome of the Bendel High Court process and there is a clear pathway for taxpayers who want to minimize their exposure to these integrity rules, regardless of the outcome of the High Court appeal process.

Where a deemed dividend has arisen due to a group arranging their affairs in reliance on the views expressed by the Full Federal Court, the Commissioner will not be granting a blanket exercise of the discretion in section 109RB to disregard any deemed dividends that might arise under Division 7A if the ATO is ultimately successful before the High Court.

Section 109RB allows the Commissioner to exercise discretion to disregard a deemed dividend that arises under Division 7A or to allow a deemed dividend to be franked where the deemed dividend arose because of an honest mistake or inadvertent omission. The Commissioner will look to the individual facts and circumstances on a case-by-case basis and can only exercise the discretion in a specific case where a deemed dividend has actually arisen.

While the ATO notes that taxpayers and their advisers need to consider their own circumstances and make their own decision on how to proceed in this area while waiting for the appeal process to be finalised, the ATO has indicated that by adopting the approach taken in TD 2022/11 taxpayers reduce the risk of being subject to deemed unfranked dividends or other adverse tax implications, regardless of whether the ATO's appeal is successful.

Super guarantee due date

The ATO is reminding businesses that they need to pay their quarterly super guarantee (SG) contributions by 28 July 2025 for the June 2025 quarter.

Payments are only considered 'paid' once they reach employees' super accounts. Clients who make payments via a clearing house should ensure that extra time is allowed for payments to reach the employee's super fund.

The SG rate will increase from 11.5% to 12% on 1 July 2025. The 12% rate will be applied for all salary and wages paid on or after 1 July 2025, even if some or all of the pay period it relates to is before 1 July 2025.

Staff News

To add to the end of financial year craziness, there has been lots of staff comings and goings this month at ML Partners!

It is with much sadness that we farewell Grace Mottin, who has been the first point of contact for ML clients for 14 years, Grace's professionalism and client knowledge will be certainly missed by ML staff and clients alike. We wish Grace well as she moves to be closer to family.

We also said a fond farewell to Emma Griggs who supported Grace as the ML receptionist in Ayr over the past year. Thanks to Emma for her hard work and assistance given to staff and clients. We wish her every success as she starts the next chapter.

So, on to the good news… A warm welcome to Jaysmin Johnson who is one of our two new receptionists in Ayr. Michelle Casey who has recently relocated from Rockhampton has over 20 year experience in practice management, administration and reception experience and together with Jaysmin will be the new first point of contact for ML clients. Welcome ladies!

And last but not least, welcome to Courtney Pyott who is our new undergraduate accountant and is currently studying for her Bachelor of Commerce. Courtney brings to her role experience in both accounting and taxation and joins the Ayr office just in time for the new financial year. Welcome Courtney!

Quote of the month

'Start by doing what's necessary; then do what's possible; and suddenly you are doing the impossible' – Francis of Assisi