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# Practice Update

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

June 2026

## 2026 Budget: The Big Changes



The Federal Government handed down the Federal Budget on 12 May 2026, with some of the biggest changes to the tax system in years.

Some of the main proposed changes include:

- ◆ Delivering a new **Working Australians Tax Offset ('WATO')** to provide a permanent annual \$250 tax offset to all eligible Australian workers. This applies to eligible income earned from 1 July 2027 (i.e., from the 2027/28 income year).
- ◆ Introducing a **\$1,000 instant tax deduction** to allow workers to deduct up to \$1,000 of work-related expenses without keeping receipts from 1 July 2026.
- ◆ **Limiting negative gearing for residential property to new builds** from 2027/28. Arrangements will remain unchanged for all existing investments made before 7:30pm AEST on 12 May 2026.
- ◆ **Replacing the 50% CGT discount with inflation-adjusted indexation** from 1 July 2027 to *"restore the taxation of real gains"*, with a **minimum tax rate of 30% on**

**realised gains.** This will apply to all assets (including pre-CGT assets) except new builds of residential properties (where taxpayers can choose either the old or the new CGT rules to apply). It will be prospective, with gains accrued on existing investments prior to the start date to retain the 50% discount (where eligible).

- ◆ Applying a **minimum 30% tax rate on discretionary trusts** from 2028/29 to *"bring tax outcomes for trusts closer to the rates that apply to the vast majority of Australian workers."*

Some of the other proposed Budget changes affecting businesses include:

- **Making the \$20,000 instant asset write-off permanent** to *"give businesses more certainty to invest"*.
- **Delivering a permanent two-year loss carry back** for companies with turnover of up to \$1 billion from 1 July 2026.
- **Introducing loss refundability for start-ups** from 1 July 2028, to help new businesses invest and grow in their first two years.

## Payday Super: How to manage super during the changeover



The ATO is providing information that employers need to know to manage the changeover from quarterly super to Payday Super from 1 July 2026 (i.e., when employers will begin paying super with each payday under the Payday Super changes).

During July 2026, employers may need to manage more than one super payment, including:

- ❑ the final quarterly super payment (i.e., the June quarter payment, due 28 July); and
- ❑ one or more Payday Super payments for July paydays.

If employers do not finalise their June quarter payments by 28 July 2026 (or earlier):

- they must lodge a super guarantee charge ('SGC') statement by 28 August and pay the SGC to the ATO for the June quarter;
- the late payment offset is not available; and
- any super payments received on or after 29 July will be applied under the new Payday Super rules, even if the employer intended these payments to be made for any super owed for the June quarter.

Also, from 1 July 2026, employers calculate, pay and report super guarantee for their employees (including eligible contractors) under the Payday Super rules. This includes ensuring the money is in their employees' super accounts generally within 7 business days after payday.

Note that superannuation for pay runs in July may be due **before** their final quarterly super payment is due on 28 July, but contributions received on or before 28 July will reduce any super owing for the June quarter **first**. If there is any remainder, contributions will then be used under Payday Super.

However, the ATO assures employers that pay on time for quarterly and Payday Super that they will not risk incurring penalties.

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### ATO says: "Don't delay: act now to transition from the SBSCH!"

The Small Business Superannuation Clearing House ('SBSCH') will permanently close on 1 July 2026. Therefore, employers still using it have less than a month to transition to an alternative service

provider, test their new arrangements and resolve any issues before Payday Super begins.

The ATO recommends that affected employers act now to:

- ◆ download all their SBSCH records (because, after 11:59pm AEST on 30 June, user access will be closed, and they won't be able to view or retrieve any records);
- ◆ stop using the SBSCH and test their new payment method; and
- ◆ be ready to use their alternative provider to pay super.

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## Payday Super for contractors

The ATO has confirmed that employers already required to make superannuation contributions for independent contractors will continue to have those obligations under Payday Super from 1 July 2026. The rules determining when contractors are entitled to super guarantee contributions are unchanged.

Certain contractors may be treated as employees for super purposes under the extended definition of employee, particularly where they are engaged mainly for their labour, skills or personal effort rather than to achieve a specific result. This may apply even where the contractor has an ABN, invoices for services, or is described as an independent contractor in a written agreement.

From 1 July 2026, where super is payable for an eligible contractor, contributions must be made on each payday and received by the relevant super fund within 7 business days. For contractors paid on issuing an invoice, the payday is generally the date the invoice is paid, meaning super contributions must reach the fund within 7 business days of payment.

The ATO has also clarified that employers not currently reporting contractors through single touch payroll (STP) are not required to change their reporting approach as a result of Payday Super. However, employers who do report contractors through STP will need to ensure qualifying earnings and super liabilities are reported from 1 July 2026.

Employers are encouraged to review contractor arrangements and payment processes now to confirm which contractors are entitled to super and ensure systems are ready for the new requirements.

The ATO has also issued some website guidance on common myths relating to Payday Super.

## ATO warns of Tax Time misinformation and focus areas

The ATO is warning the community to be wary of incorrect or misleading information this Tax Time, particularly claims promising greater refunds, shortcuts or hacks.

The ATO is seeing a rise in tax-related content and 'tips' being shared — especially online — and is urging taxpayers to treat unverified advice with caution.

Australians should think twice before acting on information from third-party sources such as artificial intelligence ('AI') platforms, 'influencers', or advice from family or friends. Although the ATO acknowledges that AI can be helpful, it can lead to inaccurate advice: *"Your tax return isn't the place for guesswork."*

The ATO also revealed that, this Tax Time, it will be focusing on areas where taxpayers are likely to make errors, including **work-related deductions** and expenses (and properly **apportioning** such expenses), and **omitted income** (including from 'side-hustles', cash jobs, and rental income).

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## New ATO guidance for rental property owners

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

This is particularly important for clients whose rental property also doubles as a **holiday home**.

If a rental property that doubles as a holiday home is not used primarily to earn assessable income, taxpayers won't be able to claim deductions, including for ownership or use expenses (such as interest expenses, council and water rates, body corporate fees, and capital works and depreciation).

Only expenses such as advertising costs, cleaning costs after a guest stay, and booking fees and commissions will be deductible.

If the holiday home is used mainly to produce income, but there's a small portion of private use (e.g., a week or a few weekends in the off-season where there was no booking, or very low chance

of a booking), then taxpayers **may** claim a deduction (although the expenses must be apportioned, and they cannot claim for the period of private use).

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## ATO wants businesses to review their GST turnover

The ATO has noticed some businesses have not updated their GST reporting and accounting methods after exceeding the relevant thresholds.

If a taxpayer's business has a GST turnover of **\$10 million or more**, they need to use full BAS reporting instead of 'simpler BAS', and account for GST on a non-cash (accruals) basis.

If their business has a GST turnover of **\$20 million or more**, they need to report GST monthly on their BAS instead of quarterly.

The ATO is moving some businesses to the correct GST reporting and accounting methods from **1 July 2026**, although taxpayers can voluntarily make the switch now in 'Online services for business' on the ATO's website (*Editor: Or contact us for assistance*).

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## ATO launches new app feature to stop scam calls



Taxpayers can now instantly confirm whether a call claiming to be from the ATO is genuine, with the launch of a new in-app security feature designed to shut down scammers.

The new **verify call** feature allows users to confirm, in real time, that they are speaking with the real ATO, not a fraudster.

Taxpayers are encouraged to download the ATO app and register their device. Then, when they receive a call from someone claiming to be from the ATO, they can simply open the ATO app, login and select the **verify call** option.

Within 30 seconds, a notification should confirm it is an ATO call. If it does not appear, users should treat it as a scam call and hang up.

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## Know when a new logbook is required



Keeping a car logbook may be required to accurately calculate the business-use percentage of vehicle expenses (e.g., fuel, registration, insurance and depreciation) for tax deductions.

Taxpayers can keep the same logbook for their car for five years, but there are circumstances where they may need a new one during that period.

Relying on a logbook that no longer represents a client's work-related travel may result in them claiming more, or less, than they are entitled to.

A new logbook may be required when a taxpayer:

- ◆ moves to a new house or workplace — updating their residential or work address may then be necessary;
- ◆ has changes to their pattern of use of the car for work purposes — checking that they are still doing the same role and routine may then be necessary.

Taxpayers using the logbook method for two or more cars need to keep a logbook for each car and make sure they cover the same period.

Clients who purchase a new car during the income year and want to continue relying on their previous car's logbook must make a nomination in writing. The nomination must be made before they lodge their tax return and state:

- they are replacing their original car with a new car; and
- the date that nomination takes effect.

Taxpayers should remember that, if their **employer** provides them with a car or they **salary sacrifice** a car using a novated lease, they are not entitled to claim work-related car expenses using the logbook **or** cents per kilometre method, as they do not own the car.

When claiming car expenses using the logbook method, taxpayers also need to keep various types of other records, including (among other things) odometer records for the start and end of the period they own the car, proof of purchase price, decline in value calculations, and fuel and oil receipts (or records of a reasonable estimate of these expenses based on odometer readings).

## When a hobby becomes a business

Taxpayers may not think they are running a business from their hobby or 'side hustle' activities. However, if they start to earn money from doing these activities regularly, they may be carrying on a business without realising it.

Generally, carrying on a business involves ongoing and repeated activities with the intention of making a profit. These activities can include:

- regularly providing goods or services;
- obtaining and maintaining any necessary licences or permits; and/or
- keeping records of their work.

However, a taxpayer's activities may indicate that they are **not** operating a business where:

- ◆ their transactions are one-off;
- ◆ they do not intend to make a profit; and/or
- ◆ they work solely as an employee rather than independently.

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## Hybrid vehicles and FBT changes

Employers that provide plug-in hybrid electric vehicles ('PHEVs') to employees (or associates) for personal use should remember the following.

### Home-charging expenses — new shortcut method

The ATO has updated its guidelines to include a new method to make it easier to calculate PHEV electricity costs when a vehicle is charged at an employee's home.

To use the shortcut home-charging rate, employers and other individual taxpayers must meet the relevant eligibility requirements (or they can still choose to calculate the actual electricity costs instead of using this optional method).

### Eligibility for FBT exemption

Since 1 April 2025, PHEVs are not considered a zero or low emissions vehicle under FBT law and no longer qualify as exempt. Employers that provide PHEVs to their employees for private use, or that have PHEVs that are available for private use, may now have FBT obligations for the 2025/26 FBT year (subject to transitional arrangements).

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## Taxable payments annual report lodgment reminder



Businesses that pay contractors for 'Taxable payments reporting system services' may need to lodge a 'Taxable payments annual report' ('TPAR') by 28 August each year.

*This includes businesses paying contractors in the building and construction, cleaning and IT industries (among others).*

The ATO will apply penalties to businesses that have not lodged their TPAR from 2025 or previous years, and/or that have been issued three reminder letters about their overdue TPAR.

Businesses that do not need to lodge a TPAR can submit a '*non-lodgment advice ('NLA') form*'. Businesses that no longer pay contractors can also use this form to let the ATO know that they will not need to lodge a TPAR in the future.

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## Expenses incurred to obtain employment were non-deductible

The Administrative Review Tribunal ('ART') recently held that medical expenses incurred by a taxpayer to obtain (or regain) employment were not deductible as they were not incurred in gaining or producing his assessable income.

The taxpayer was an airplane pilot. In July 2021, the Civil Aviation Safety Authority advised the taxpayer of the steps that he needed to take to regain the medical certificates that were a prerequisite to him holding a licence to work as a pilot.

The taxpayer incurred expenses relating to this between July 2021 and May 2022, and he claimed a deduction for these expenses in his tax return for the 2022 income year.

The ATO disallowed these deductions, and the ART affirmed the ATO's decision.

The ART noted that the medical expenses incurred by the taxpayer *"merely put him in a position to undertake employment as a pilot, and as such are not deductible."*

That is, the expenses were not deductible because they were incurred to put the taxpayer in a position to earn income (i.e., to regain his certification), rather than in the course of earning

that income, and they were therefore incurred "too soon" (despite some being incurred **after** his employment commenced in March 2022).

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## New cents per kilometre rate

The ATO has issued a draft legislative instrument, Draft Income Tax Assessment (Cents per Kilometre Deduction Rate for Car Expenses) Determination 2026, setting out the updated cents per kilometre rate for car expenses for the 2027 income year.

This instrument sets the cents per kilometre deduction rate for car expenses for the income year commencing **from 1 July 2026 as 91 cents per kilometre**. For subsequent income years, the rate of 89 cents per kilometre or above will be set at the Commissioner's discretion based on available CPI data at the time of review.

The rate has been set at 88 cents per kilometre from 1 July 2024.

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## Bendel's Case – High Court decision in favour of taxpayer & release of ATO Decision Impact Statement

The High Court decision on the 10<sup>th</sup> June 2026 in the case of *Commission of Taxation v Bendel* found that a trusts' unpaid present entitlement to a company is not treated as a loan and potentially subject to tax as a deemed dividend under Division 7A. This removes the automatic deemed dividend risk from UPE's but does not eliminate all tax risk as other provisions such as Subdivision EA, s100A and Part IV A may still apply. The ATO decision impact statement was released on the 26<sup>th</sup> June and can be found in the link to the ATO website [here](#).

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## Ending card surcharges: What you need to know before 1 October 2026

The Reserve Bank of Australia (RBA) has confirmed that all surcharges on credit and debit card payments — across eftpos, Mastercard and Visa — will be banned from 1 October 2026.

This represents one of the most significant updates to Australia's payments landscape in

years and will have a direct impact on businesses and consumers.

### What's changing?

The RBA's reform package has three key components:

#### 1. Surcharges banned

From 1 October 2026, businesses cannot add any surcharge — percentage or flat fee — for payments made using eftpos, Mastercard, Visa or related networks. Customers must see and pay one final price, whether they purchase online, at the counter, or via mobile payment.

#### 2. Lower interchange fees

Interchange fees (the wholesale fees charged between banks when a customer pays by card) will be reduced, with new caps for foreign-issued cards. This should directly lower the cost that a business needs to pay to accept card payments.

#### 3. Greater transparency

Banks, card schemes and payment providers must publish clearer information about fees and margins.

They must also demonstrate how reductions in wholesale fees are being passed through to retailers. This gives businesses more power to compare providers and negotiate.

### What your business should do now

#### 1. Review your merchant fees

Look at your recent statements and determine:

- How much you currently pay in card-acceptance fees; and
- Whether you have been relying on surcharges to offset part of those costs.

If surcharges are part of your pricing strategy, you may need to adjust prices to maintain margins, where commercially appropriate.

#### 2. Speak to your payment provider

With lower interchange fees coming and more transparency required, it's a good time to negotiate:

- Better merchant service fees
- Updated pricing plans
- POS or terminal upgrades

Small businesses often pay closer to the current fee caps, so they stand to gain the most.

#### 3. Update your pricing and POS systems

You'll need to remove:

- Surcharge signage
- Online checkout surcharges
- Automatic percentage add-ons
- All displayed prices must become all-inclusive.

#### 4. Build changes into your cash flow

Lower merchant fees won't appear immediately, but most businesses should see reduced costs flow through during the 2026–27 financial year. This is a good time to revisit budgets, especially for cafés, retailers, trades and service-based operators that have a high proportion of small card transactions.

#### 5. Watch customer behaviour

Businesses might find that the removal of surcharges encourages more customers to pay by card. Higher card usage is often positive for convenience and transaction speed but keep an eye on total acceptance costs as patterns shift.

### The broader commercial picture

This reform levels the playing field to some extent.

Businesses that never applied surcharges will simply benefit from lower underlying fees. Those that did add a surcharge will enjoy simpler operations, less admin and fewer compliance risks. Over time, the changes should encourage more competition among payment providers, potentially leading to better products and lower fees across the market.

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### Staff News

We are very proud to announce that Teena Butler is now part of the ML Partners 'Ten-Year Club'. Teena has brought 10 years of positivity and professionalism to the ML Team, and her contributions are valued by staff and clients alike. Congratulations Teena!



In other news, Fiona Christensen will be taking extended leave from 30<sup>th</sup> June. We will be writing to Fiona's clients soon regarding staff contact details during Fi's absence.

It is with much sadness that we farewell Elisa Cave and Derina Land who have both decided to take a break from all things tax and accounting and embark on new challenges. We wish you both well in your new endeavours.



Congratulations also to Susan Catanzaro who has recently completed her Advanced Diploma in Accounting and is now a registered Tax Agent! Your dedication to your studies while working full time is an inspiration! Congratulations from us all.



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### Quote of the Month:

*"Courage doesn't always roar. Sometimes courage is the little voice at the end of the day that says I'll try again tomorrow."*  
— Mary Anne Radmacher

Please note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.