SOFY NEWSLETTER

Sutherland Tse & Co Pty Ltd

PERMANENT $20,000 INSTANT ASSET WRITE-OFF

From 1 July 2026, the Government will permanently extend the $20,000 instant asset write-off for small businesses with turnover of less than $10 million.

Assets valued at $20,000 or more can continue to be placed into the small business depreciation pool. The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years after opting out will continue to be suspended until 30 June 2027.

REINTRODUCING 'LOSS CARRY BACK' FOR COMPANIES

The reintroduction of the loss **carry-back rule** allows eligible companies to offset current tax losses against prior tax paid.

Key Rules and Limits

- **Turnover limit**: Less than $1 billion in aggregated annual global turnover.
- **Time limit:** Offset against tax paid up to two years earlier (the 2024–25 or 2025–26 income years for the initial 2026–27 claims).
- **Loss type:** Applies strictly to revenue losses, excluding capital losses.
- **Franking limit:** Capped at the company's franking account balance at the end of the claim year.
- **Effective date:** Starts for income years beginning on or after 1 July 2026, claimed via annual tax returns.

SMARTER PAYG INSTALMENTS FOR BUSINESSES

From 1 July 2027, businesses will have the option to use a new Dynamic PAYG Instalment system that adjusts tax instalments based on their current business performance.

Key benefits include:

- Using an ATO-approved PAYG calculation built into your accounting software.
- PAYG instalments that better reflect your real-time business income and cash flow.
- Less need to manually estimate and vary instalments throughout the year.
- Businesses using the system as intended will generally not be subject to General Interest Charge (GIC) on instalment variations.
- From 1 July 2027, small and medium businesses can opt into monthly PAYG instalment reporting and payment alongside expanded dynamic software calculation pilots

The ATO is currently working with software providers and running pilot programs to prepare for the rollout of these changes. Businesses will be able to opt in from 1 July 2027.

Temporary reduction of fuel excise and heavy vehicle road user charge

The Government has temporarily reduced the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for three months from 1 April 2026.

The excise rates have been reduced by a total of 60.9%, equating to a 32 cent per litre reduction for petrol and diesel. The road user charge for heavy vehicles has also been reduced from 32.4 cents per litre to zero.

NON-DEDUCTIBLE ATO DEBT INTEREST

From 1 July 2025, ATO General Interest Charge (GIC) is no longer tax deductible.

- As a result, any GIC remitted by the ATO is generally not taxable if the GIC was incurred on or after 1 July 2025.
- GIC incurred before 1 July 2025 may still be deductible under the old rules.
- If that pre-1 July 2025 GIC is later remitted by the ATO, the remitted amount is generally assessable (taxable) income in the year the remission is granted.
- Always check when the GIC was incurred, as this determines the tax treatment of any remission.

RESEARCH AND DEVELOPMENT ('R&D') TAX INCENTIVES

The Government will strengthen support for business R&D by:

- Increasing the tax offset for core R&D expenditure.
- Lowering the R&D intensity threshold from 2% to 1.5%.
- Removing eligibility for supporting R&D expenditure.
- Raising the turnover threshold for the highest refundable offset from $20 million to $50 million.
- Limiting refundability to firms under 10 years old while maintaining higher offset rates for eligible older firms.
- Increasing the expenditure cap from $150 million to $200 million.
- Raising the minimum claim threshold from $20,000 to $50,000.

Overall: The reforms provide greater support for core R&D activities, particularly for startups and growing businesses, while tightening eligibility and compliance requirements.

Reducing the FBT Concession for Electric Cars

From 1 April 2029, electric cars valued at or below the fuel-efficient Luxury Car Tax (LCT) threshold will receive a 25% FBT discount, using a 15% statutory formula rate.
Transitional rules:

- Electric cars valued at $75,000 or less and provided before 1 April 2029 will continue to receive a 100% FBT exemption (0% statutory rate).
- Electric cars valued between $75,001 and the fuel-efficient LCT threshold, provided between 1 April 2027 and 31 March 2029, will receive a 25% FBT discount (15% statutory rate).
- Vehicles will keep the FBT concession rate that applied when they first became eligible.

The standard 20% FBT statutory rate will continue to apply to:

- Electric cars above the fuel-efficient LCT threshold; and
- All other vehicles.

For reportable fringe benefits purposes, eligible electric cars will continue to be calculated using the standard 20% statutory rate (or the cost basis method).

The taxation of discretionary trusts

The Australian Government has proposed new tax rules for discretionary trusts from 1 July 2028.

What is changing?

If the proposal becomes law:

- Discretionary trusts will pay a minimum 30% tax on their taxable income.
- Individual beneficiaries can claim a credit for the tax already paid by the trustee.
- Company beneficiaries will not receive that tax credit.

Why is this happening?

The Government wants to reduce the tax benefits of using discretionary trusts to distribute income to family members on lower tax rates.

Example

A discretionary trust earns $100,000.

- The trustee pays $30,000 tax.
- The remaining income is distributed to beneficiaries.
- Individual beneficiaries receive a tax credit.
- Company beneficiaries do not.

What should you do?

If you use a discretionary trust, it may be time to review whether your current business structure is still the most suitable. The Government has announced proposed restructuring relief from 1 July 2027 to help eligible taxpayers change their structure before the new rules commence.

Important: These changes are proposed only and will not apply unless the legislation is passed by Parliament.

Support for Small Business Debt Helpline

The Government will provide $8.2 million over three years from 2025-26 to extend the Small Business Debt Helpline financial counselling program and the NewAccess for Small Business Owners mental health coaching program to 30 June 2027.

Payday Super

From 1 July 2026, employers must pay employees' super much closer to payday instead of paying it quarterly. The super contribution must generally reach the employee's super fund within 7 business days of the payday.

Super paid every pay cycle (weekly, fortnightly, monthly, etc.) instead of quarterly.

Super Guarantee (SG) rate remains 12%.

Employees can see super contributions more regularly in their super accounts.

ATO can identify and address unpaid super more quickly.