August 2026

SOFY NEWSLETTER

Sutherland Tse & Co Pty Ltd

INCOME TAX RATES

The 2026 Income tax rates have remained the same as the 2025 financial year.
The (current) 16% tax rate will be reduced to 15% from 1 July 2026. The 15% tax rate will be further reduced to 14% from 1 July 2027.

The Government will increase the Medicare levy low-income thresholds by 2.9% from 1 July 2025 for singles, families, seniors and pensioners. This change provides additional tax relief to low-income Australians by ensuring they are not subject to the Medicare levy, or face a reduced levy, solely due to increases in income resulting from inflation.

Please note that the resident rates do not include the Medicare levy of 2%. Non-residents are not required to pay Medicare Levy.

RESIDENT RATES

Resident tax rates – 2026-27 (2027 income year)

Taxable Income	Tax on This Income
$0 – $18,200	Nil
$18,201 – $45,000	15c for each $1 over $18,200
$45,001 – $135,000	$4,020 + 30c for each $1 over $45,000
$135,001 – $190,000	$31,020 + 37c for each $1 over $135,000
$190,001 and over	$51,370 + 45c for each $1 over $190,000

NON-RESIDENT RATES

Foreign Resident Tax Rates – 2026-27 (2027 Financial Year)

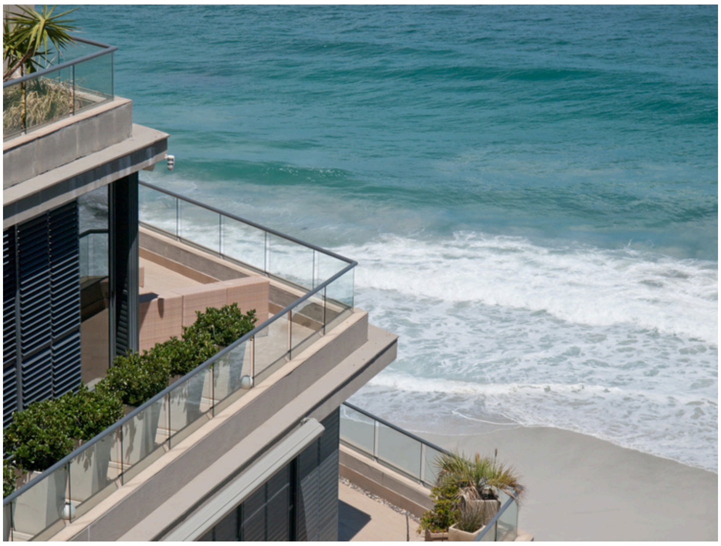
Taxable Income	Tax on This Income
$0 – $135,000	30c for each $1 of taxable income
$135,001 – $190,000	$40,500 + 37c for each $1 over $135,000
$190,001 and over	$60,850 + 45c for each $1 over $190,000

REPLACING THE 50% CGT DISCOUNT WITH INDEXATION

From 1 July 2027, the current 50% CGT discount will generally be replaced with cost base indexation and a 30% minimum tax on net capital gains for individuals, trusts and partnerships.

Importantly, existing investments will be protected. The new rules will only apply to gains that accrue from 1 July 2027 onwards, while gains accrued before that date will continue to benefit from the current CGT discount rules.

Investors in new residential properties will have the option to choose between the existing 50% CGT discount or the new indexation method. Age Pension and other income support recipients will be exempt from the 30% minimum tax.



REFORMING NEGATIVE GEARING FOR RESIDENTIAL PROPERTY INVESTMENTS

From 1 July 2027, losses from established residential properties can only be offset against:

- Rental income from residential properties, or
- Capital gains from residential properties.
- Any excess losses will be carried forward and used against future residential property income or gains.
- Applies to established residential properties acquired after 7:30 PM (AEST) on 12 May 2026.
- Grandfathering applies to properties acquired before this date (including exchanged contracts not yet settled) until the property is sold.
- Eligible new builds are exempt.
- Exclusions:
  - Superannuation funds
  - Widely held trusts
  - Build-to-rent developments
  - Private investors participating in government housing programs.

NEW $1,000 STANDARD WORK-RELATED DEDUCTION

From the 2026-27 income year, eligible employees can claim a standard deduction of up to $1,000 for work-related expenses without needing to keep receipts or substantiate expenses. Taxpayers with deductions exceeding $1,000 can continue to claim actual expenses under existing rules.

Private Health Insurance ('PHI') Rebate

The Government will remove the age-based uplift of the PHI Rebate from 1 April 2027. Currently, individuals aged 65 and above are entitled to a higher rebate percentage.

FOREIGN RESIDENT CGT REGIME

The Government will provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector.
The transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from commencement, being the first day of the next quarter after Royal Assent until 30 June 2030.

INTRODUCING A WORKING AUSTRALIANS TAX OFFSET

The Government will introduce a $250 Working Australians Tax Offset with effect from the 2028 income year. This new offset will provide a permanent annual tax offset for Australians for their income derived from work such as salary and wages and the business income of sole traders.

DIVISION 293 TAX

Division 293 tax is an additional tax on super contributions which reduces the tax concession for individuals whose combined income and contributions are greater than the Division 293 threshold.

Division 293 tax is charged at 15% of an individual's taxable contribution.

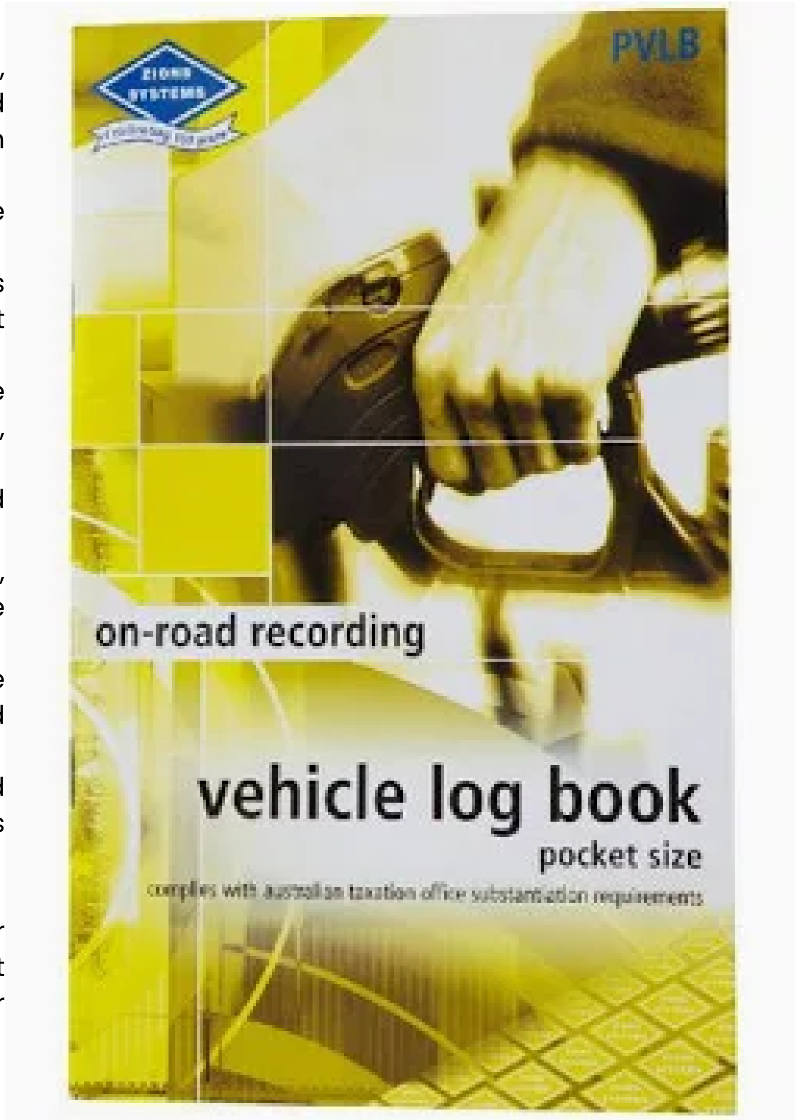
Division 293 threshold from 2017-2018 onwards is $250,000.

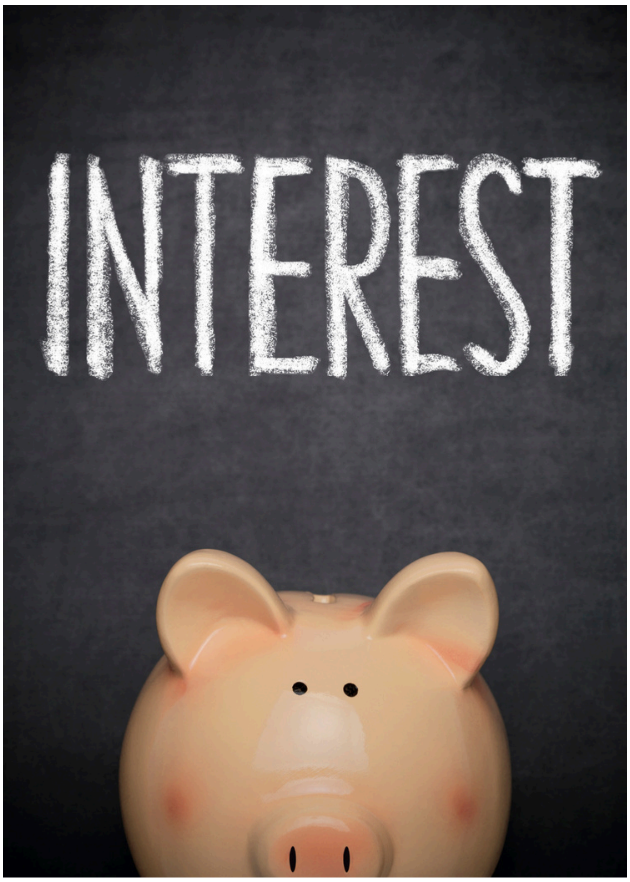
Latest Audit Traps with Car Logbook Claimes

The ATO is continuing to review motor vehicle claims, especially those using the logbook method. To help avoid costly adjustments, keep these common audit traps in mind:

- Keep your logbook up to date – A new logbook may be needed if your work or travel pattern has changed.
- Don't claim normal home-to-work travel – This is generally considered private travel and is not deductible.
- Ensure your business-use percentage is realistic – The ATO compares your claim with calendars, GPS records, tolls and other data.
- Record your odometer readings – Keep opening and closing odometer readings for each financial year.
- Keep all receipts – Save invoices for fuel, servicing, insurance, registration, repairs and other vehicle expenses.
- Avoid double claiming – You cannot claim both the logbook method and the cents per kilometer method for the same vehicle in the same income year.
- Keep records for at least five years – Good documentation is your best defense if the ATO reviews your claim.

Tax Tip: If your work circumstances have changed or your current logbook is more than five years old, now is a great time to prepare a new 12-week logbook to ensure your vehicle deductions remain accurate and compliant.





ATO Audit Alert – Rental Property Interest Deductions

The ATO is closely reviewing interest deductions claimed on rental properties. To help avoid costly adjustments:

- Interest is generally deductible if the loan was used to buy or improve a rental property. Only claim the portion of interest that relates to earning rental income.
- Interest on private redraws or personal expenses is not deductible.
- Loan principal repayments are not tax deductible.
- Keep loan statements, bank records, settlement documents, and lease agreements as evidence.
- Ensure the property is genuinely available for rent during the period you are claiming interest.
- Common audit issues include mixed-purpose loans, incorrect interest apportionment, and poor record keeping.