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Practice Update

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

July 2026

Government's tax reform package

The Government has recently legislated several of the tax reform measures announced in the 2026 Federal Budget (and in later media releases). These include, among other things:

- ❑ Replacing the CGT discount with cost base indexation and a 30% minimum tax on gains accruing from 1 July 2027 (including gains on pre-CGT assets);
- ❑ Increasing the small business turnover threshold for the 50% active asset reduction from $2 million to $10 million;
- ❑ Limiting negative gearing for residential property to new residential dwellings from 1 July 2027 (subject to transitional rules); and
- ❑ Introducing the Working Australians Tax Offset from 1 July 2027, and the $1,000 instant tax deduction for work-related expenses from 1 July 2026.

After a round of consultation, the Government has also announced further proposed measures, broadly including (among others):

- ■ A new targeted CGT discount for investors in innovative start-ups;
- ■ Barring SMSFs from utilising future limited recourse borrowing arrangements ('LRBAs') to acquire residential property; and
- ■ Exempting income of discretionary testamentary trusts from the minimum tax proposed for trusts.

Changes to car thresholds from 1 July 2026

The car limit for the 2027 income year is $69,883.

This is the highest value that a taxpayer can use to calculate depreciation on a car where they use the car for work or business purposes (and they first use or lease the car in the 2027 income year).

The maximum GST credit that can generally be claimed for the creditable acquisition of a car above the limit is $6,353 (i.e., one-eleventh of $69,883).

The luxury car tax ('LCT') threshold for the 2027 income year is $91,661 for fuel-efficient vehicles, and $80,809 for all other luxury vehicles.

What's new for Small Business?

The ATO is reminding business taxpayers of recent changes they should keep in mind this Tax Time, including the following:

- ■ From 1 July 2026, **Payday Super** applies. Employers will need to pay super to an employee's nominated super fund each payday, and it must reach the fund within 7 business days after payday (unless a longer timeframe applies, such as for new employees).

  Employers must also report both qualifying earnings and super liability through Single Touch Payroll ('STP') reporting.

  If super is not received by the fund, in full and on time, the super guarantee charge applies.
- ■ Businesses with an aggregated turnover of less than $10 million may be able to immediately deduct the business portion of eligible assets costing less than $20,000, where the asset was first used or installed ready for use between 1 July 2025 and 30 June 2026.
- ■ Businesses cannot claim a deduction for general interest charge ('GIC') or shortfall interest charge ('SIC') incurred from the 2025/26 income year.
- ■ From 1 April 2025 (i.e., from the 2026 FBT year), plug-in hybrid electric vehicles are no longer treated as zero or low emissions vehicles for the purposes of the FBT exemption.

Fuel excise relief extended for July

The Government has announced a further temporary extension of fuel excise relief for July, together with a reduction in the Heavy Vehicle Road User Charge.

The Government says these measures will make petrol and diesel 16 cents per litre cheaper than they otherwise would have been during July.

Check for ATO-held super

The ATO is reminding taxpayers that they may have superannuation money held by the ATO. This can include:

- unclaimed super money received from super funds (for example, inactive low-balance accounts);
- employer super guarantee amounts that could not be paid to a fund; and
- certain government super contributions.

Taxpayers can check for ATO-held super through myGov, ATO online services or the ATO app.

ATO app alerts and super verification

The ATO has added an **extra verification step** for super transfer and consolidation requests made through the ATO's online services.

This step is the latest ATO app security feature that helps protect against fraudulent activity.

If a taxpayer has registered their device using the ATO app, they will need to verify requests to transfer or consolidate super before the request is submitted (from May 2026).

Editor: The ATO has also advised that, on 5 June 2026, a large number of ATO messages were sent about changes to bank account details. The ATO notes that these messages were caused by a planned internal system update, and no action is required because of that message alone.

The ATO nonetheless recommends that taxpayers review any real-time ATO app alerts, check their details, and act quickly if something looks wrong.

Dental clinic liable for super guarantee charge

The Administrative Review Tribunal ('ART') recently considered whether an oral health therapist engaged by a dental clinic was an 'employee' for super guarantee purposes.

The clinic argued that the therapist was not an employee but was instead an independent contractor and, as such, the clinic was not liable for the super guarantee charge.

The ART disagreed, and held that the therapist **was** an employee under the extended definition.

Editor: The extended definition of 'employee' for these purposes includes a person who works under a contract that is wholly or principally for the labour of the person.

In particular, the ART found that:

- the contract contained features consistent with an 'employment' arrangement;
- the therapist was part of a regulated profession and could not practise independently;
- the purpose of the contract was to engage the therapist personally to work as a member of an integrated team (rather than to provide her with the use of the clinic and its facilities for a fee);
- the clinic did not establish that she had a genuine right to delegate/subcontract her work; and
- the therapist was not directly rewarded for her services, as her remuneration was subject to adjustments applied by the clinic on patient invoices.

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.