

Issues to Consider 2024/2025 Financial Year

Contributions Tax for high income earners

Where your income for surcharge purposes exceeds \$250,000, Division 293 tax will be charged at 15% of the excess over the threshold or the taxable super contributions, whichever is less.

Personal (tax deductible) superannuation contributions

You can claim tax deductions for super contributions you make to your fund regardless of your employment status if a notice of intent to claim a tax deduction is acknowledged by your fund. If aged between 67 and 74 you still need to satisfy the "work test".

2025 ATO audit programme

The ATO has indicated they intend to focus their audit activity on the following key areas during the 2025 financial year:

- Substantiation of work-related expense claims
- Working from home deductions
- Rental property income and deductions including holiday home and short term rental (Airbnb etc.)
- Undeclared income from the sharing economy e.g. rental income, ride-sharing and delivery services and online freelancing.
- Cryptocurrency reporting

Personal income tax rates

The personal income tax rates for Australian tax residents are as follows:

Tax rates 2025 – 2026 (same as 2024-2025)	
Tax on this income	Tax on this income
\$0-\$18,200	Nil
\$18,201-\$45,000	16c for each \$1 over \$18,200
\$45,001-\$135,000	\$4,288 plus 30c for each \$1 over \$45,000
\$135,001-\$190,000	\$31,288 plus 37c for each \$1 over \$135,000
\$190,001 and over	\$51,638 plus 45c for each \$1 over \$190,000
Medicare Levy	2%

If your taxable income is less than \$66,667 you will receive the low income tax offset (LITO). The maximum offset amount of \$700 applies if your taxable income is less than \$37,500, then reduces for every dollar of taxable income until your taxable income reaches \$66,667.

HELP & Education loan repayments

The HELP and other education loans repayment income threshold for 2025/2026 currently starts at \$56,156. The Australian Government has proposed a new minimum compulsory repayment threshold HELP loans of

\$67,000. This is an increase from the 2024/2025 threshold of \$54,435. Subject to legislation being passed, the new threshold will take effect from July 1, 2025.

Work-related expenses

You MUST keep appropriate records if you wish to claim employment related expenses. The substantiation rules state that:

- (1) If you are an employee and the total of your claim is less than \$300, you must keep written details of how you calculated your claim, however, external documentary evidence is not required.
- (2) If you are an employee and the total of your claim is \$300 or more, you must keep receipts, invoices or other documentary evidence to support your total claim.

Residential rental property expenses

Where rental income is received on holiday homes or for short term rental, expenses should be apportioned for the period the property is genuinely available for rent.

As a reminder, changes to the tax law means that non-deductible rental expense includes depreciation of second-hand assets and travel expenses related to the property. The cost of second-hand assets can be added to the cost base of the property.

How do I claim for car expenses?

Employees and self-employed persons may choose one of the following two methods for claiming motor vehicle expenses:

- (1) Where business kilometres are travelled, a set rate per kilometre may be used to calculate the deduction. The rate applicable for the 2025 financial year is 88c per kilometre. A maximum of 5,000 km may be claimed under this method. Kilometres travelled should be recorded in a diary or other suitable record; or
- (2) The business proportion of the actual expenses of operation of the motor vehicle. This method involves the following record keeping:
 - Receipt or invoice for each expense (fuel may be estimated),
 - Logbook record covering 12 consecutive representative weeks;
 - Odometer readings at start and end of each year.

Motor Vehicle Logbooks:

Where the logbook method is used, logbooks must be kept for a continuous period of 12 weeks. If the vehicle's pattern of use varies substantially in subsequent years you should also consider maintaining a new logbook for that vehicle. The details required are:

- the purpose of the trip;
- the date the trip began and ended;

- odometer readings at the beginning and end of the trip;
 - the number of kilometres travelled; and
 - the odometer readings at the start and end of each year.
- Please Note: New logbooks are required to be prepared every 5 years. Accordingly, to use the logbook method for the 2024/2025 year, the logbook must have been prepared after 1 July 2020.

Home office expenses - Working from home

In order to claim working from home ("WFH") expenses you must incur additional running expenses as a result of WFH. There are two methods available to claim WFH expenses and they are the fixed rate method and the actual cost method.

- (1) **Fixed rate method.** 70 cents can be claimed per hour spent WFH. This rate covers electricity and gas for heating, cooling, and lighting, home and mobile internet or data charges, mobile and home phone use, computer consumables and stationery.

You can separately claim for cleaning (where a dedicated home office is maintained), depreciation of home office assets (technology and furniture) and repairs and maintenance of those assets.

You must keep records of actual hours worked at home e.g. timesheets, diary entries, time logs etc. and keep receipts for all expenditure.

- (2) **Actual cost** – actual costs of WFH can be claimed, such as electricity and gas for cooling, heating, and lighting, phone, internet, cleaning (must have a dedicated home office for this expense), computer consumables, stationery and depreciation of equipment. This method is more complex as it requires greater record-keeping and calculations to apportion work-related usage.

The best method to use will depend on your circumstances.

How long do I have to keep my records?

The substantiation rules require that you retain your supporting records for a period of up to 5 years following lodgement of your tax return or from the date due for lodgement, whichever is the later.

Small business concessions

There are a number of small business entity concessions available including simplified depreciation and instant asset write-off, deductions for pre-paid expenses, small business tax offsets and PAYG instalment concessions, simplified recording and others. Most concessions are available where the small business entity has an aggregated turnover of less than \$10M but some may be available for entities with a turnover up to \$50m. If you require further details, please contact your StewartBrown Manager or Partner.

Purchasing assets from non-residents

Up to and including 31 December 2024, where certain Australian assets (predominantly property) with a market value of \$750,000 or more are purchased from non-residents, the purchaser may have to withhold 12.5% of the purchase price and remit that amount to the ATO. On and after 1 January 2025, a rate of 15% applies to the value of all Australian assets (predominantly property). Clearance certificates should be obtained from the ATO to provide certainty of your withholding obligations when purchasing property. We can assist as required.

GST withholding on certain property transactions

Since 1 July 2018 purchasers of new residential premises or potential residential land have had to withhold GST. Instead of paying the full contract price to the GST registered supplier (e.g. vendor, builder, property developer) at settlement, a purchaser is required to withhold a GST amount from the contract price and remit the amount directly to the ATO.

ATO Scams

ATO scams are becoming more prevalent. Be wary of emails, phone calls and text messages claiming to be from the ATO (or other Government agencies). Scammers may try to trick you into providing personal information or make payments under false pretences. Some examples are emails requesting personal information for tax refunds with links to fake websites that mimic the ATO's official site; SMS text messages with links to fake websites; or phone scams threatening legal action if payment is not made immediately. Stay vigilant and do not click on any links. If unsure, please contact us.



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