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As we approach the end of the 2026 financial year, it is an opportune time to review your tax position and consider strategies to optimise your outcome. Proper planning before 30 June can assist in maximising available deductions, managing cash flow, and ensuring compliance with ATO requirements.

This checklist outlines key tax considerations for individuals, businesses, and trustees, including recent developments and upcoming changes that may impact your planning for the 2027 financial year and beyond. As this information is general in nature, we recommend seeking tailored advice based on your specific circumstances.

## Overview

Here's a quick summary of what to consider for yourself and your business before the end of the financial year.

- Superannuation (in pension phase). Ensure minimum pension amounts have been withdrawn before 30 June. See Item 1 below for details.
- Payday Super: From 1 July 2026, super must be paid at the same time as wages.
- Closure of SBSCH: Small Business Super Clearing House closing on 30 June 2026, alternatives need to be found before 30 June 2026.
- Trustees of discretionary trusts. You are required to document your annual distribution decision before 30 June. See Item 2 below for details.
- Personal tax rates. See Item 4 below for current personal tax rates.
- Company tax rate is 25% and remains at 25% in 2026. (Base rate entities only). See Item 3 (A) below for details.
- Improved and expanded asset write-off incentives still apply. The Government has extended this measure to 30 June 2025. From 1 July 2025 it is proposed that this incentive will become permanent.
- Cryptocurrencies and digital assets. The Australian Taxation Office (ATO) has access to extensive data from exchanges and service providers that can easily match transactions to clients. See Item 6 below for details.

### 1. Superannuation

The following outlines key superannuation considerations for the 2026 year-end, together with important changes effective from 1 July 2026 and beyond

To ensure contributions are tax deductible in the 2026 financial year, they must be received by the superannuation fund prior to 30 June 2026. We recommend allowing sufficient time for processing.

- From 1 July 2026 the annual concessional contribution cap will increase from \$30,000 to \$32,500 and the non-concessional contribution cap from \$120,000 to \$130,000.
- The superannuation guarantee increased to 12% on 1 July 2025, this remains the same from 1 July

2026. From 1 July 2026, the introduction of Payday Super will require employers to pay superannuation at the same time as wages. This represents a significant change and may have cash flow and administrative implications. For the maximum contribution base changes, please refer to section 22E

- A \$2 million pension transfer balance cap applies per member and the earnings therefrom will continue to be tax free, however earnings on funds in excess of the \$2 million cap will be subject to tax at 15% (if retained in superannuation). This cap will increase to \$2.1 million from 1 July 2026 reflecting the latest indexation adjustment on CPI.
- Fund earnings attributable to Transition to Retirement Income Streams ("TRIS") are taxed at 15% rather than being tax free (which has been the rule since 1 July 2017).
- Some superannuation fund clearing houses will close off their year-end processing well before 30 June. This will mean that they may not accept your contributions if paid after those close off dates. Please check with your superannuation clearing house to ensure you meet their deadline. Some will be as early as 16 June 2025.
- Individuals can save for their first home deposit by making voluntary contributions into their super fund of up to \$15,000 per year (max. of \$50,000 in total). Contributions and deemed earnings can then be withdrawn (from 1 July 2018) for a first home deposit. From 1 July 2022, the amount of eligible contributions that can count towards your maximum releasable amount across all years was increased to \$50,000.
- A person aged 55 years or over (previously aged 60 and over) can make a "Downsizer" contribution into their super fund of up to \$300,000 from the proceeds of selling their home. A (a couple can therefore contribute up to \$600,000 combined). These contributions are not subject to the normal contribution limits described below.
  - Certain conditions apply and you should check with your StewartBrown Managers or Partner to see if this is suitable for you.
- The "work test" still applies to some contributions. To meet the work test, you must be gainfully employed for at least 40 hours during a consecutive 30-day period in the financial year in which the contributions are made.
  - This is an annual test. This means once you meet this test you can make contributions for the entire financial year.
  - Gainfully employed means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation, or employment. For contributions made on or after 1 July 2022, the work test only applies to those people aged between 67 and 75 who are claiming a tax deduction for personal concessional superannuation contributions.
- Carry forward concessions still apply allowing you to utilise previously unused concessional

contribution caps going back in some cases up to five years. See further details below at 23 (C).

- Bring forward concessions also apply to utilise previously unused non-concessional contribution caps going back up to three years. See further details below at Item 23 (F).

The tax rate for complying superannuation funds in accumulation phase remains at 15%. Superannuation funds in pension phase will continue to be tax free (subject to the \$2 million cap mentioned above, increasing to \$2.1 million from 1 July 2026).

### **Division 296 – additional tax on superannuation balances over \$3 million and \$10 million**

From 1 July 2026, Division 296 introduces an additional tax on superannuation earnings for individuals with a total superannuation balance (TSB) exceeding \$3 million.

The balance is assessed as at 30 June 2027.

Importantly, the tax applies at the individual level (not the fund level) and captures a member's total balance across all super funds, including SMSFs and APRA-regulated funds.

Earnings attributable to the portion of a member's balance above \$3 million are subject to an additional 15% tax (on top of the standard 15% tax within the fund)

A higher tier applies for very large balances, with additional tax on earnings above \$10 million, resulting in an effective rate of up to 40% on that portion.

The rules apply proportionally, meaning only the earnings linked to the excess balance are taxed at the higher rates— not the entire super balance.

## **2. Trusts**

The continues to increase its focus on the taxation of family trusts, in particular where they are used to make distributions to beneficiaries paying tax at lower rates, when the benefit does not flow to the beneficiary.

Many family groups will need to reconsider how they are using their family trust. **TR 2022/4** and **PCG 2022/2** set out the ATO's updated guidance on trust distributions and reimbursement agreements. See further details below at (29).

Proposed reforms to the taxation of discretionary trusts may also impact future planning.

You should therefore carefully consider which beneficiaries should receive distributions from your trust this year and if in doubt seek advice from your StewartBrown Manager or Partner.

## **3. Business taxes**

### **(A) Tax rates**

The standard company tax rate for the 2026 year is 30%, however a lower company tax rate of 25% applies to 'base rate entities' ("BREs").

A company is a BRE and qualifies for the lower company tax rate for an income year if both of the following apply:

- no more than 80% of the company's assessable income for that income year is base rate entity passive income (such as rent, interest, dividends, royalties etc);, and
- the aggregated turnover of the company for the income year is less than the aggregated turnover threshold, \$50 million for 2025-26 and future years.

One other point to note with these different corporate tax rates is that a company's imputation or franking credits might not always match up with the corporate tax rate being paid. Please speak with your StewartBrown Manager or Partner for further advice in this area.

### **(B) Small business instant asset write-off**

The instant asset write-off threshold has been proposed to permanently increase to \$20,000 from 1 July 2026. This measure is available for small businesses with an aggregated turnover of less than \$10 million. As this is not yet legislated, if appropriate, small business entities should consider purchasing and using (or installing ready for use) eligible assets by 30 June 2026.

For more specific and tailored advice concerning your businesses eligibility for this concession please contact your StewartBrown Manager or Partner.

### **(C) Obsolete equipment**

In order to write-off obsolete plant and equipment in the 2026 financial year and crystallise a tax deduction for the written down value, the assets must be physically scrapped or disposed of prior to 30 June 2026.

### **(D) Extension of small business concessions to medium businesses**

From 1 July 2020 eligible businesses can immediately deduct certain start-up expenses and certain prepaid expenditure. Previously turnover had to be below \$10 million to be eligible for these concessions. This has been raised to \$50 million.

## **4. Personal income taxes**

The following tax rates apply to individuals who are residents of Australia for tax purposes. The 2026-27 Federal Budget announced further reductions to the lowest personal income tax rate over the next two financial years.

<b>2026-27</b>	<b>Rate</b>	<b>2027-28</b>	<b>Rate</b>
0 – \$18,200	Nil	0 – \$18,200	Nil
\$18,201 – \$45,000	15%	\$18,201 – \$45,000	14%

\$45,001 – \$135,000	30%	\$45,001 – \$135,000	30%
\$135,001 – \$190,000	37%	\$135,001 – \$190,000	37%
\$190,001 and over	45%	\$190,001 and over	45%

The above rates do not include the Medicare levy of 2.0%, nor the additional 1.5% Medicare levy surcharge applying to higher income earners without private patient hospital cover.

It is important to ensure that all relevant family members maintain appropriate private health insurance cover to avoid being subject to the Medicare Levy Surcharge (MLS).

Remember to review your policy regularly—particularly after significant life events such as marriage, entering a de facto relationship, separation, the birth of a child, or when adult children’s circumstances change (e.g. age or income). These changes can affect your family status and your liability for the MLS.

If your taxable income is less than \$66,667 you will receive the low-income tax offset. The maximum offset is \$700 if your taxable income is \$37,500 or less. The offset is reduced for every dollar of taxable income over \$37,500. No changes to the low-income tax offset have been announced.

#### Instant Tax Deduction of up to \$1,000

From the 2026–27 financial year, it is proposed that individuals will be able to claim an instant tax deduction of up to \$1,000 without the need to substantiate individual expenses. Deductions exceeding \$1,000 will still require full substantiation.

#### 5. Property investors

The following key rules continue to apply to property investors

- Travel expenses relating to inspecting, maintaining, or collecting rent for residential properties are not deductible.
- Investors who purchase plant and equipment for their residential investment property after 9 May 2017 can claim a deduction over the effective life of that asset. However, subsequent property owners are generally unable to claim deductions for existing plant and equipment items, with these costs instead included in the property’s cost base for CGT purposes.
- Individuals, trusts, and self-managed super funds cannot claim holding costs (such as borrowing costs, interest, Council rates, land taxes etc) incurred over vacant land from 1 July 2019 onwards.

#### Negative Gearing

The Government has also proposed changes to negative gearing arrangements from 1 July 2027, limiting the ability

to offset rental losses against other income to newly constructed properties.

These changes are expected to apply broadly across individuals, trusts, and other entities, with certain exclusions (e.g. superannuation funds).

These proposals are not yet law and should be monitored. Proposed changes to capital gains tax from 1 July 2027 may significantly impact property investment strategies. Refer to section 20 below for more detail.

The ATO continues to increase its focus on property-related deductions. Taxpayers should ensure that all claims are accurate and appropriately substantiated

#### 6. Cryptocurrencies and digital assets

If you hold cryptocurrency or other digital assets such as non-fungible tokens (NFTs) personally or within your business, you should carefully consider the tax treatment of any gains or losses.

The ATO continues to expand its data-matching capabilities and actively monitors transactions through exchanges and service providers.

If you have undertaken any cryptocurrency transactions during the year, ensure appropriate records are maintained and we encourage you to seek our advice on how to report this correctly on your income tax return.

#### 7. Foreign investors

The following measures continue to apply to foreign residents with Australian investments:

- Foreign owners of residential property are required to pay annual vacancy fees where the property is not occupied or genuinely available for rent for at least 183 days (approximately six months) of the vacancy year.
- A 50% cap applies to foreign ownership in new developments through a condition on New Dwelling Exemption Certificates.
- The CGT withholding rate in relation to property disposals by foreign tax residents is 15% for all property (the previous \$750,000 threshold was removed on 1 January 2025).
- This is a non-final withholding tax and will be applied as a credit against any tax payable on lodgement of the taxpayer’s respective income tax return(s).

#### NSW taxes on non-residents

In addition to the above, ‘foreign persons’ (as defined under NSW State legislation) may be subject to an additional 9% stamp duty (known as the ‘surcharge purchaser duty’) when they acquire real estate in NSW. There has been no increase since 1 January 2025.

Furthermore, foreign persons will also face a land tax surcharge (in addition to the usual land tax) of 5% which has remained the same since 1 January 2025. Importantly, these

additional land taxes and stamp duties can apply to an Australian Trust where the Deed for the Trust allows for a beneficiary to be a foreign person.

If you have a trust that owns property in Australia and one or more of your beneficiaries are currently (or are proposing to become) non-residents we urge you to review your Trust Deed to avoid being caught by these additional taxes. If not done so already, please contact your StewartBrown Manager or Partner to have your Trust Deed reviewed ASAP.

## 8. General interest charge (GIC) and shortfall interest charge (SIC)

General interest charge (GIC) and shortfall interest charge (SIC) apply to all entities and continue to be non-tax deductible.

## General year-end tax strategies

### 9. Defer income

The timing of income recognition can impact your taxable income for the year. Where appropriate, it may be possible to defer the receipt of certain income until after 30 June 2026.

This may include income such as rent, interest, or dividends, where payment can be received after year-end.

In a business context, income is generally recognised when there is a legal right to receive payment. Accordingly, consideration may be given to deferring the completion of certain transactions until after 30 June.

Examples include:

- defer until July the completion of high profit transactions (e.g. signing of licensing agreements, royalty contracts, delivery of major product installations, etc.)
- defer the completion of work in progress until July so that invoicing will be raised in the 2027 financial year.

### 10. Accelerate deductions

Generally, businesses can claim income tax deductions for expenses incurred or paid prior to the end of the financial year (subject to the prepayment restrictions outlined in Item 15). Thus, to obtain an income tax deduction in the 2026 financial year it may be appropriate to accelerate and incur certain regular expenses in June 2026 rather than in July or August e.g. the service or repair of an item of equipment in June rather than in July.

### 11. Bad debts

Review your trade debtors to identify any bad debts that should be written off. A bad debt will be deductible in the 2026 financial year provided the following tests are satisfied:

- the debt must exist
- the debt must actually be 'bad' before writing it off

- the debt must be physically written off prior to 30 June 2026
- the debt must have been brought to account as income
- a company writing off a bad debt must satisfy the continuity of ownership test or same business test, and
- a discretionary trust writing-off a bad debt must have made a 'family trust election'.

If you write-off a bad debt, remember to claim back the relevant goods and service tax (GST) in your next business activity statement (BAS) return (GST accrual basis only).

### 12. Salary sacrifice payments (including superannuation and fringe benefits)

Where an employee has the option to direct any bonus entitlement or other earnings into a superannuation fund (i.e. salary sacrifice super contribution) the employer must ensure that the request is made in writing prior to the amounts being earned by the employee.

Please note that employees who intend to salary package fringe benefits and whose taxable income is less than \$190,000 should review their arrangements as the changes in the tax rates over recent years could impact on the tax-effectiveness of such arrangements.

### 13. Staff bonuses

For accrued staff bonuses to be deductible in the 2026 tax year the decision to pay the bonus and the determination of the bonus must be made and documented prior to 30 June 2026.

If the above decisions are made after year-end, when the actual operating results have been determined, the bonuses will not be deductible until the 2027 tax year. Similar tests must be satisfied for accrued director's fees to be deductible.

### 14. Donations

For donations to be deductible in the 2026 tax year they must be for \$2 or more prior to 30 June 2026 (i.e. cheque, EFT or BPAY cleared through the bank account by 30 June 2026). Examples of donations that are deductible include those made to an authorised deductible gift recipient or political party (capped at \$1,500). The tax deduction is limited to the available taxable income (i.e. donations cannot be used to generate or increase the amount of tax losses to be carried forward to a subsequent year).

Accordingly, if your business is likely to make a tax loss, it may be to your advantage to make donations personally to ensure a full tax deduction. In addition, for individuals wishing to make tax deductible donations we suggest that they be made by the taxpayer on the highest marginal tax rate.

### 15. Prepayments

Most taxpayers are not entitled to claim a deduction in the 2026 tax year for any part of a prepayment that relates to

the period after 30 June 2026. Certain expenditure is excluded from this rule, as follows:

- where the payment amount is less than \$1,000 (excluding GST)
- amounts required by law or an order of the court (e.g. workers' compensation premiums, land tax, etc.)
- Under a contract of service (e.g. salary or wages)
- where the payment relates to non-business expenditure made by an individual taxpayer (e.g. interest on rental property), and
- where the payment is made by a taxpayer who qualifies as a small business entity (SBE).

Taxpayers who qualify as a SBE (i.e. under \$10 million turnover) or individuals with non-business expenditure (e.g. investments, property, etc.) are able to claim prepayments where the period of service does not exceed 12 months and the period of service ends in the next tax year (i.e. before 30 June 2027).

#### **Warning to businesses other than SBEs**

Businesses need to carefully identify all expenses exceeding \$1,000 (excluding GST) paid in advance. This will include prepayments made throughout the financial year not just in June. For example, annual insurance premiums paid in December covering the calendar year (i.e. January to December) will be "caught" by these prepayment restrictions.

#### **16. Foreign exchange losses**

Consideration should be given to accelerating the realisation of unrealised foreign exchange revenue or capital losses before 30 June 2026. Such unrealised losses could be realised by the payment of an overseas liability, thus crystallising the loss before year-end. Foreign exchange losses continue to be deductible against domestic income.

#### **17. Tax loss situations**

Where your business entity is likely to be running at a tax loss, there may not be any tax benefit in accelerating tax deductions or deferring revenue in the current year. Again, as the tax deductibility of donations is wasted in a tax loss situation it may be more beneficial for donations to be made personally.

#### **18. Research and development expenditure**

Expenditure by a company on eligible research and development (R&D) projects will be entitled to the R&D tax incentive. To maximise the eligible expenditure for the year ended 30 June 2026, payments to related parties should be paid by 30 June (not just accrued) and superannuation attributable to R&D projects should also be paid prior to 30 June 2026.

From 1 July 2021, companies with turnover of less than \$20 million are entitled to the refundable tax offset at a rate of

18.5% above the claimant company tax rate. Companies with turnovers in excess of \$20 million are entitled to an offset equivalent to their company tax rate plus one or more marginal intensity premiums.

An explanation of these marginal intensity premiums is outside the scope of this list and we would refer you to your StewartBrown Manager or Partner for further details.

#### **19. Trading stock and work in progress**

Factors to consider in respect of trading stock at year end include:

##### **(A) Stocktake**

On the last day of trading of the financial year a physical count of all trading stock and work in progress should be undertaken and recorded (unless you have a reliable stock control system in place). Please note that a SBE is not required to undertake a stock count of closing stock where the difference between the value of opening trading stock at the beginning of the year and closing stock is estimated to be \$5,000 or less. In these cases, the SBE can elect not to do a stocktake but simply assume the closing stock is the same value as the opening stock.

##### **(B) Valuation**

For income tax purposes trading stock (including work in progress) may be valued at cost price, market selling value or replacement value. The appropriate choice of valuation of trading stock will depend on the business circumstances for the year. The most common method adopted is the lower of the three alternatives for each item of stock.

The valuation method selected can have a significant effect on the calculation of the year's taxable income. Cost should include direct material, shipping, labour and other manufacturing costs (if applicable). In addition, wholesalers and retailers should include an allowance for warehousing and distribution costs.

##### **(C) Obsolete stock**

To write-off obsolete and worthless stock in the 2026 tax year it is necessary to either physically scrap the stock prior to 30 June 2026 or to identify such stock and set it aside for scrapping within a reasonable time after year end.

#### **20. Capital gains tax**

Capital gains tax (CGT) may apply on the disposal of assets acquired after 19 September 1985. For CGT purposes, the relevant date is the contract date, not the settlement date.

To defer or minimise CGT payable where a capital profit would arise you could:

- take advantage of the 50% discount for individuals and trusts or the 33.33% discount for

superannuation funds, by not disposing of the asset within 12 months of purchase

- defer the sale of assets until the beginning of the next tax year (where lower tax rates may apply)
- match capital gains against capital losses, and/or
- for individual taxpayers, consider deferring the sale of assets until you have a low-income year.

Other CGT facts to consider are:

- capital losses can only be used to reduce Capital Gains (prior to applying the 50%/33.33% discount)
- any unrecouped realised CGT losses in the name of an individual are lost or forfeited in the event of death, so it is prudent to utilise such CGT losses as soon as possible, and
- on the sale of a business, it may be possible to benefit from the various CGT small business tax concessions.

## Proposed Reforms

### Discount Changes/Cost Base Indexation

The Government has announced proposed changes to the CGT regime from 1 July 2027. These include replacing the current CGT discount with a cost base indexation method.

For assets held prior to 1 July 2027 and sold after that date, gains may be apportioned, with existing rules applying up to that date and new rules applying thereafter.

These measures are not yet legislated and may be subject to change.

### Minimum Tax on Capital Gains

A minimum tax rate of 30% on certain capital gains has also been proposed from 1 July 2027.

This measure is intended to ensure that gains are taxed at a minimum level, although exemptions may apply (e.g. for certain individuals receiving income support).

Further details are pending and the measure remains subject to legislative approval. Clients should seek advice before taking action based on proposed changes.

## 21. Reducing effective tax rate

Individual taxpayers may be able to reduce their effective tax rate by:

- levelling out income peaks and troughs to avoid higher tax brackets
- moving deductions and losses to a higher income spouse or business entity
- moving income and gains to a lower income spouse or business entity
- deferring retirement or roll-over benefits until after 30 June, or
- realising capital gains in a low-income year and/or realising capital losses to offset capital gains.

## Superannuation

### 22. Payday Super

Significant changes to superannuation payment obligations will apply from 1 July 2026 with the introduction of 'Payday Super'

#### (A) Timing of Payments

Super must be received by the fund within 7 business days of payday. This applies every pay cycle, whether that is weekly, fortnightly or monthly.

#### (B) Transition from the Small Business Superannuation Clearing House (SBSCH)

The Small Business Superannuation Clearing House (SBSCH) will close from 30 June 2026, requiring businesses to transition to alternative arrangements. Before the closure, you should download and retain all historical SBSCH records for record-keeping compliance.

#### (C) New Calculation Base: Qualified Earnings (QE)

Superannuation will be calculated based on 'Qualifying Earnings (QE)', which expands the current Ordinary Time Earnings (OTE) framework. Super will continue to be calculated at 12%.

QE includes:

- Ordinary time earnings (OTE)
- Commissions (even outside ordinary hours)
- Salary sacrifice amounts (that would qualify as QE if were not salary sacrificed)
- Director fees
- Payments to deemed employees

OTE is what super is currently calculated on and includes the total earnings in respect of an employee's ordinary hours of work, plus certain additional payments such as over-award payments, shift loadings and commissions.

#### (D) Superannuation Guarantee legislation

In accordance with the Superannuation Guarantee (SG) legislation all employers must contribute at the specified contribution levels to a complying superannuation fund in respect of employees and also in respect of contractors who are individuals and who are providing predominantly services of labour. Such contributions are now required to be paid within 7 business days of payday, otherwise Superannuation Guarantee Charge (SGC) is payable, which is not tax deductible. The ATO will now calculate this rather than being self-assessed. The SG charge now includes daily compounding interest, administrative uplift and additional penalties for non-compliance. Compliance will be monitored much more closely than under the current system. Failure to meet these requirements will result in Superannuation Guarantee Charge (SGC), which is not tax deductible and includes interest and penalties.

All employers are urged to review their SG obligations and pay the necessary superannuation contributions by 30 June 2026 (if a deduction is required in the 2026 year) and certainly by 28 July 2026 so as to avoid late penalties.

The SG rate payable by all employers for the 2026 year is 12% of the employees' ordinary time earnings.

#### **(E) Maximum Contribution Base**

Maximum contributions are calculated on an annual basis from 1 July 2026. If your payments of qualifying earnings to your employee reach the maximum contribution base in a financial year, you can stop paying the minimum super guarantee contributions for the employee for that year. The maximum contribution base from 1 July 2026 is \$270,830. The maximum contribution base for a financial year is calculated using the following formula (rounded down to the nearest 10 dollar multiple):

Concessional contributions cap  $\times$  100  $\div$  charge percentage = maximum contribution base

#### **(F) Practical Impact for Employers**

The introduction of Payday Super will have significant implications for cash flow, payroll processes, and compliance systems.

Employers should:

- review payroll systems and processes
- ensure super can be paid at each pay cycle
- consider cash flow impacts transition from the SBSCH before its closure

### **23. Superannuation contributions – accumulation phase**

The accumulation phase is when you contribute money to your superannuation fund for retirement. The following outlines key considerations for superannuation contributions in the 2026 financial year:

#### **(A) Tax deductible contributions**

To be deductible in the 2026 financial year, superannuation contributions must be paid to a complying superannuation fund prior to 30 June 2026. The contribution payment must be cleared through the payer's bank account by 30 June 2026.

We recommend making payments at least two weeks before the end of the financial year for this reason.

#### **(C) Tax deductible contribution caps**

From 1 July 2026 the concessional (i.e. tax deductible) contribution caps for all individuals will increase to \$32,500. The annual contribution caps apply to the total contributions from all sources (including compulsory SG contributions) so it is very important to check that contributions are not made in excess of these caps as additional tax payable may be significant.

Remember the contribution cap is measured by reference to the amount received by the super fund each year, not the amount recorded as an expense in the employer's wages records/financial accounts.

From 1 July 2018, you are able to 'carry forward' any unused amount of your concessional contributions cap, subject to your superannuation balance being less than \$500,000 at the end of 30 June in the previous year. You will be able to access your unused concessional contributions cap on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire. The first year in which you can access unused concessional contributions is 2019–20.

#### **(D) Work test**

The eligibility to make concessional (tax deductible) contributions to superannuation for those aged 67 and over (formerly 65) but less than 75 is subject to the member satisfying a 'work test' whereby they must be gainfully employed or self-employed for at least 40 hours in a period of not more than 30 consecutive days during the financial year. The relevant fund's trust deed must also allow such contributions to be accepted.

We strongly recommend that the work test be satisfied before making any contribution. From 1 July 2022 you have only been required to meet the work test for personal concessional superannuation contributions.

#### **(E) Concessional contributions provided to high income earners (Division 293 Tax)**

Concessional superannuation contributions for high income earners are taxed effectively at the rate of 30% (rather than the standard 15%). A high-income earner for this purpose is anyone who earns more than \$250,000 of adjusted taxable income. The Division 293 tax can be reduced or even eliminated if it is possible to reduce your adjusted taxable income to be below the \$250,000 threshold or by deferring income to a future year (e.g. by deferring the payment of dividends).

#### **(F) Non-concessional contributions**

The non-concessional contribution (i.e. non-tax deductible) caps for all individuals are detailed in Item 1 above. Individuals aged under 75 on 1 July of the income year are still entitled to 'bring forward' up to three years of non-concessional contributions but the amount that they can bring forward depends on their total superannuation balance (TSB). This is best explained in the following table:

From 1 July 2026 to 30 June 2027		
TSB	Contribution and bring forward available	Bring-forward period
Less than \$1.84m	\$390,000	3 years
\$1.84m to less than \$1.97m	\$260,000	2 years
\$1.97m to less than \$2.1m	\$130,000	No bring-forward period, general non-concessional contributions cap applies
\$2.1m and above	nil	Not applicable

Inadvertent contributions in excess of the non-concessional cap, provided the correct procedure is followed, may be withdrawn from the super fund in accordance with a determination issued by the Commissioner. If not withdrawn, penalty tax is applied.

### (G) Co-contributions incentive

The Government has a package of assistance whereby for eligible individuals the Government will contribute up to \$0.50 for each \$1.00 of member contribution. The maximum benefit is a \$500 co-contribution from the Government when an individual's assessable income, including reportable fringe benefits, is \$47,488 or less and a personal contribution of \$1,000 has been made.

This benefit reduces on a sliding scale between the assessable incomes of \$47,488 and \$62,488. In addition, from 1 July 2017 your TSB must be less than the general transfer balance cap on the 30 June the year before the contributions are made and you must not have exceeded your non-concessional contribution cap in the relevant financial year in order to qualify for this incentive.

At the end of the 2025 financial year the general transfer balance cap was \$2 million. From 1 July 2026 that amount increases to \$2.1 million.

To be eligible the following requirements must be met, including:

- your personal non-concessional superannuation contribution must be made to your superannuation fund by 30 June 2026. We note that you cannot receive the Government's co-contribution for personal contributions claimed as a tax deduction (as these are concessional contribution)
- your assessable income, reportable fringe benefits and reportable employer superannuation contributions must be less than \$62,488 per annum
- 10% or more of your total income for the year must be from employment and/or carrying on a business
- you are under 71 years of age
- you are a permanent resident of Australia, and
- you lodge an income tax return for the year.

### (H) Contributions for spouse

Individuals may be entitled to a tax offset for superannuation contributions made by them on behalf of a low income or non-working spouse. The maximum rebate available is \$540 and is calculated at 18% of contributions up to a maximum of \$3,000.

The offset begins to phase out once the spouse's gross assessable income (before deductions), reportable fringe benefits and salary sacrifice superannuation contributions exceeds \$37,000, and is fully phased out once it reaches \$40,000.

### 24. Superannuation – pension phase

Where members have commenced a pension from their superannuation fund it is essential that they ensure the fund pays to them by 30 June 2026 at least the minimum amount of pension and not in excess of the maximum allowed.

The minimum and maximum rate is applied to the value of the pension at commencement or, if started in a prior year, the market value of the pension at the beginning of the financial year. The maximum pension is 10% for a TRIS but otherwise there is no maximum.

The minimum pension amounts payable are as follows:

Age	2026 Minimum Pension %	2027 Minimum Pension %
< 65	4.00%	4.00%
65-74	5.00%	5.00%
75-79	6.00%	6.00%
80-84	7.00%	7.00%
85-89	9.00%	9.00%
90-94	11.00%	11.00%
>95	14.00%	14.00%

### Other information

#### 25. Private company loans (Division 7A)

##### (A) Private company debit loans

Borrowings by shareholders from their private companies are referred to as debit loans or Division 7A loans and extend to almost all types of payments or advances to shareholders and their associates (excluding loans to another company). Division 7A continues to apply to the use of company assets where inadequate consideration is paid to the company. Borrowings that do not satisfy the required exemption tests under Division 7A are deemed to be unfranked dividends and fully taxable in the recipient's hands.

It is essential that private company directors ensure that any payments on behalf of shareholders or their associates are either repaid prior to the due date of lodgement of the company's tax return or that the borrowings are covered by a complying Division 7A loan agreement, the terms of which must be strictly complied with each year.

- **Loans (pre 4/12/97).** If you have a pre 4/12/97 borrowing from your company, the terms of the loan must not be altered. Altering the loan will deem it to be new borrowing on the date it was varied. In effect the loan should be quarantined and all future borrowings treated as separate loans. A strategy should be adopted to repay these loans.
- **Loans (post 4/12/97).** If you have a post 4/12/97 borrowing from your company brought forward from last year, you must make the minimum annual repayment of capital and interest prior to 30 June 2026. If the minimum repayment is not made, the amount of any shortfall will be deemed to be an unfranked dividend if the company has retained or unrealised profits.
- **Loans (current year).** If during the current year your company has made a payment to or on behalf of a shareholder or an associate creating a Division 7A loan, this loan will be deemed to be an unfranked taxable dividend in the hands of the recipient, unless the loan is repaid by the due date of lodgement of the company's tax return or alternatively is supported by a complying Division 7A loan agreement.

**Unpaid trust distributions to companies.** Where a trust has distributed income to a corporate beneficiary after 16 December 2009 and the distribution remains unpaid, then this unpaid present entitlement could be treated as a loan for Division 7A purposes. We recommend that these unpaid present entitlements be paid or alternatively such amounts be treated as a Division 7A compliant loan by the time of lodgement of the trust tax return.

The relevant payments can be repaid by:

- charging the payment against a pre-existing credit loan account
- the payment of wages (after PAYG tax and superannuation is paid)
- the payment of a fully franked dividend provided franking credits and retained profits are available, or
- borrowing from another source to repay the debt.

Alternatively, if the payments are unable to be repaid by the due date of lodgement of the company's (or trust's) tax return, the payments for the year can be added together and treated as an 'amalgamated' loan provided there is a written loan agreement which:

- is entered into prior to the due date of lodgement of the company's tax return
- stipulates a minimum interest rate (i.e. currently 8.77% for the 2025 year; 8.37% for the 2026 year)
- provides a maximum loan term (i.e. seven years with no security and up to 25 years with registered mortgage security), and
- requires a minimum annual repayment each year.

For your assistance, we have available a sample of a standard loan facility agreement for use in documenting loan terms and conditions.

If a loan to a shareholder complies with the requirements of Division 7A it will not constitute a loan fringe benefit.

### **(B) Private company credit loans treated as equity where borrowing company turnover exceeds \$20 million**

Where the borrowing company has a turnover in excess of \$20 million, a related party credit loan will be treated as equity rather than debt unless commercial loan tests are satisfied. If the loan is treated as equity, payment of interest would be treated as a frankable distribution and not deductible.

### **26. Professional firms and income splitting**

In December 2017 the ATO advised that it was suspending their previously issued guidelines that professional firms (e.g. architectural, engineering, legal, accounting, medical practices, etc) had relied upon for many years in applying their understanding of what is unacceptable 'income splitting' (whereby income is distributed away from the professional worker who has generated the fee income).

In early 2021 the ATO published PCG 2021/4 which now sets out the ATO's revised compliance approach to the allocation of profits by professional firms. These guidelines apply from 1 July 2021 onwards and provides a risk assessing scoring table which is intended to allow individual professional practitioners to self-assess their risk against risk assessment factors.

We would encourage you to speak with your StewartBrown Manager or Partner if you have any questions concerning these guidelines.

### **27. Service entities**

The ATO has issued guidelines for service entity arrangements. The guide *Your Service Entity Arrangements (NAT 13086)* and *TR 2006/2* set out acceptable profit mark-ups in relation to services provided. It is essential that service entities review current mark-ups to ensure that they are within the reasonable guidelines and for appropriate adjustments to be made in the June BAS.

### **28. Personal services business**

If your business entity (e.g. company, trust or partnership) derives all or part of its income from the personal services of an individual (i.e. hiring or contracting out your personal services) then you must determine whether the business entity satisfies the personal services business tests.

If it fails these tests, the income generated from your personal services may be regarded as wholly that of the individual for tax purposes (rather than the business entity), and as such your business entity may be denied certain tax

deductions that may have applied in prior years. These tests include the following:

- Results Test
- Unrelated Clients Test
- Employment Test
- Business Premises Test

If your business entity is earning personal services income, you must determine whether you satisfy these tests. If you are in doubt, please contact us as soon as possible and certainly **before you complete your June 2026 Business Activity Statement**. Individuals in professional practice should also consider the notes in Item 26 above.

### 29. Discretionary trusts

One of the benefits of discretionary trusts is the ability to stream different types of income to different beneficiaries, and in particular franked dividends and capital gains. This streaming of income provides significant flexibility and tax benefits between the beneficiaries (usually family members). The ATO have issued further draft guidance to trustees in this area that should be considered when allocating the net income of the trust. Refer to Item 2 above.

As in prior years and in accordance with the applicable Trust Deed, the trustee of a discretionary trust must resolve to distribute the income of the trust **by the earlier of the date specified in the Trust Deed (if any) or 30 June each year**. Historically, this was undertaken by the Trustees simply holding a meeting (often around the kitchen table) in the final week of June each year to resolve the distribution split between the beneficiaries.

The resolution was then evidenced in a Trustee minute of the meeting which was prepared and signed at the same time as the tax return was drafted. In the view of the ATO this long-standing practice is no longer adequate evidence of compliant resolutions.

The ATO has determined that distributions of trust income are to be evidenced as follows:

- where the Trustee is streaming franked dividends, the Trustee must not only pass a resolution distributing the income to the beneficiaries by 30 June but must also record (in that character) in the trust's accounts or records by 30 June
- where the Trustee is streaming capital gains, the Trustee must not only pass a resolution distributing the income to the beneficiaries by 30 June but must also record (in that character) in the trust's accounts or records no later than two months after the end of the financial year in which the distribution is made (i.e. 31 August)
- where streaming is not undertaken it is sufficient for the Trustees to pass a resolution prior to 30 June and for it to be documented by a resolution minute post 30 June.

Trusts are under greater scrutiny from the ATO and we recommend all Trustees review their Trust Deeds (the rules of the Trust) to ensure the trust is conducted in accordance with the Deed, including to:

- check the vesting date
- confirm the eligibility of the beneficiaries
- clarify the definition of 'income' and the availability of income streaming
- check whether a family trust election has been lodged or is required.

### Proposed Discretionary Trust Tax Changes

The Government has proposed changes to the taxation of discretionary trusts from 1 July 2027, including a potential flat tax rate of 30% applied at the trustee level.

These changes may significantly impact how trusts are used for tax planning purposes and remain subject to legislative approval.

Transitional relief measures have also been proposed.

Further details in regards to the mechanics of this change are required.

### 30. Payroll tax – warning

The NSW Office of State Revenue continues to increase audit activity in relation to payroll tax. The annual wage threshold for NSW for the year ended 30 June 2026 is \$1,200,000. The payroll threshold includes wages, superannuation, reportable fringe benefits, employee share schemes, payments to employee contractors, and the wages and benefits of "grouped" or connected entities.

You must register within seven days of exceeding the monthly wages threshold. The payroll tax rate is 5.45%.

### 31. Contractor tax reporting system

Businesses that pay contractors in the building and construction, courier, cleaning, road freight, information technology, security, investigation, or surveillance services industries and certain Government entities are required to notify the ATO of payments made to contractors annually. This is known as the Taxable Payments Reporting System.

To determine whether an obligation to report payments to contractors exists, a business needs to assess whether payments to contractors meet the following criteria:

Service	Reportable obligation
Building & construction	50% or more of business income (or activity) is building and construction services.
Cleaning	10% or more business income is from cleaning services
Courier or road freight	10% or more of business income is from courier and road freight services. Courier services include delivery.
Information Technology	10% or more of business income is from IT services

Security, Investigation or surveillance	10% or more of business income is from security, investigation, or surveillance services
Government entities	Federal, State, Territory and local Government entities (except where an exemption applies)

The reporting relates to actual amounts paid to contractors and needs to include identifying references such as the contractor's ABN & address. The 'Taxable Payments Annual Report' is required to be lodged with the ATO by 28 August 2026. Where a business (in one of the above categories) does not employ contractors, a nil report should be lodged.

### 32. Non-commercial loss provisions

When a loss from a business activity carried on by an individual or partnership occurs, consideration must be given to the non-commercial loss provisions as to whether the loss needs to be quarantined. There are concessions for taxpayers such as primary producers, artists, etc.

## Financial planning and estate planning

### 33. StewartBrown Advisory Pty Limited

For your information our financial planning division, namely StewartBrown Advisory Pty Limited, offers clients comprehensive advice on self-managed superannuation funds, financial and retirement planning, and estate planning matters generally. Amanda Lee and Peggy Liang are the Directors in charge of this division and are very experienced in providing appropriate and sound financial advice to clients.

If you have not met Amanda or Peggy yet, we invite you to contact us to arrange a complimentary meeting to discuss your situation and how they and their team can assist you in achieving your financial goals in a tax-effective manner.



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