Monthly Tax Update

Keeping you up to date on the latest Australian and international tax developments

July 2025

Contents

Corporate tax update

Division 7A and UPEs - appeal update

The Commissioner of Taxation has been granted special leave to appeal to the High Court against the Full Federal Court's decision in Commissioner of Taxation v Bendel [2025] FCAFC 15. By way of recap, the Full Federal Court found that an unpaid present entitlement (UPE) arising from a trust's distribution to a private company was not a loan for the purposes of the deemed dividend rules (Division 7A of the *Income Tax Assessment Act 1936*). The Australian Taxation Office's (ATO) interim decision impact statement continues to explain that the ATO does not intend to revise its current views relating to private company entitlements to trust income, as detailed in Taxation Determination TD 2022/11, until the appeal process is exhausted.

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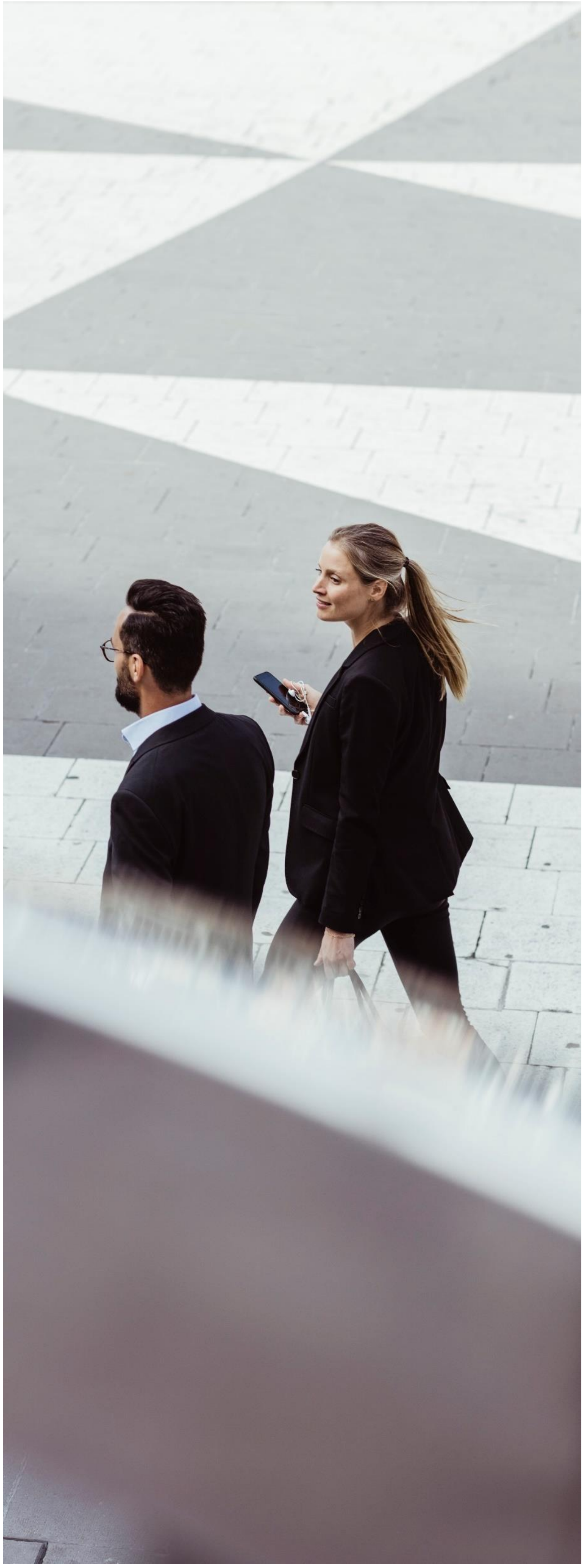
ASIC focus areas for 2025-26

The Australian Securities and Investments Commission (ASIC) has highlighted its financial reporting and audit focus areas for the 2025-26 financial year. It also notes that large proprietary companies that were previously 'grandfathered' from lodging financial reports and superannuation trustees that are now required to lodge audited financial reports for most superannuation funds are now included in ASIC's financial reporting and audit surveillance program.

Public companies and consolidated entity disclosure statement

ASIC has updated its information sheet that provides guidance for preparers of financial reports of public companies to ensure that consolidated entity disclosure statements (CEDS) comply with the requirements of the *Corporations Act 2001* and are consistent with the policy intent of the legislation. Affected companies should also note the ATO's brief update to Practical Compliance Guideline PCG 2018/9 which sets out the ATO's practical guidance to assist foreign-incorporated companies determine whether they are tax resident under the central management and control (CMC) test of company residency (see International Tax section of this update for further details.)



Employment taxes update

Interim decision impact statement on travel expenses

The Australian Taxation Office (ATO) has issued an interim decision impact statement on the recent decision in *Shaw and Commissioner of Taxation* [2025] ARTA 224, which considered whether an employee long-haul driver was entitled to a deduction for work-related travel expenses claimed in respect of meals. In making its decision, the Administrative Review Tribunal allowed a truck driver's appeal regarding deductions for meal expenses, concluding t hat the taxpayer did incur the disputed expenses in gaining or producing his assessable income.

The Commissioner has since appealed to the Federal Court against the Tribunal''s decision. Until the appeal process is finalised, the ATO has stated it does not intend to revise its guidance on work-related travel expenses and record keeping, including substantiation and the substantiation exception.

Meanwhile, the ATO will continue to administer the law in accordance with the above ATO guidance.

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In addition, the ATO has withdrawn a number of industry specific rulings relating to allowances, reimbursements and work-related deductions as they are no longer current due to developments in case law and legislation. The ATO has stated that guidance on the subject matter contained in these rulings is available in other publications, including Taxation Ruling TR 2020/1 and the Employees guide for work expenses.

New methodology to calculate plug-in hybrid electric vehicle home charging rate

The ATO has released an updated draft version of its Practical Compliance Guideline that assists taxpayers in calculating electricity costs when a vehicle is charged at an employee's or individual's home. The updated draft, PCG 2024/2DC, provides guidance in calculating the cost of electricity when a plug-in-hybrid electric vehicle (PHEV) is charged at an employee's or an individual's home – the current PCG does not apply to PHEVs.

According to the draft update, the Commissioner would not have cause to apply compliance resources to review the taxpayer's calculation of the electricity costs of charging a PHEV at a residential premises for fringe benefits tax (FBT) or income tax purposes, if the methodology from the draft PCG is applied.

The draft update also contains a transitional approach for PHEVs for the 2024-25 FBT and income tax years. If odometer records have not been maintained for PHEVs as at the start of the 2024-25 FBT or income tax years, a reasonable estimate may be used based on service records, logbooks or other available information. Similarly, if records substantiating actual petrol costs have not been maintained for PHEVs as at the start of the 2024-25 FBT or income tax years, a reasonable estimate may be used based on available information.

The draft PCG is available for public comment until 25 July 2025.

FBT applied to luxury cars provided to directors of trustee company

In Commissioner of Taxation v SEPL Pty Ltd ATF SFT Trust [2025] FCA 581, the Federal Court overturned the Administrative Appeal Tribunal's earlier decision, finding that luxury cars provided to directors of a trustee company were subject to FBT.

This case focused on whether the directors who were also beneficiaries of a discretionary family trust were "employees" for FBT purposes, and whether the non-cash benefits (use of luxury vehicles) were provided "in respect of" their employment.

In this case, the taxpayer was a corporate trustee of a family trust and had three brothers who were both directors and eligible beneficiaries. The brothers managed the business, received employer superannuation contributions, but had no formal employment contracts or salary. Over 40 luxury vehicles were purchased in the company's name and made available for the directors' business and personal use. The Commissioner assessed FBT on the private use of the vehicles, which the taxpayer disputed, arguing the brothers were not employees and the benefits were not provided in respect of employment.

The Federal Court disagreed with the Tribunal's decision, holding that the FBT law definition of "employee" is broad and includes directors, even in the absence of formal employment contracts, and that the Tribunal erred in law in its approach of applying common law concepts of employment.

The Court found that the exclusive use of the vehicles by the directors was "in respect of" their employment, as the benefits arose by virtue of their roles as directors. The Court concluded that the FBT assessments were valid, and the non-cash benefits (vehicle use) were subject to FBT.

Victorian payroll tax: Changes to threshold and regional payroll tax criteria

From 1 July 2025, the Victorian payroll tax-free threshold will increase from $900,000 to $1 million for annual returns, and for monthly returns, it will rise from $75,000 to $83,333.

Additionally, there is a phased reduction of the tax-free threshold for employers and groups with total annual Australian wages between $3 million and $5 million. The phase-out rate will be 50% for the 2025-26 financial year and beyond, up from the 45% rate in the 2024-25 financial year. Employers with annual taxable Australian wages exceeding $5 million will not receive any payroll tax-free threshold.

In addition, the State Taxation Acts Amendment Bill 2025 (Vic), which has since been enacted, amends the *Payroll Tax Act 2007* (Vic) to expand the circumstances in which an employee will be a regional employee for the purposes of that Act with effect from 1 July 2025. A technical amendment clarifies that employers are not required to meet the 85% threshold in every month during a financial year. In addition, an employee is a regional employee if wages paid or payable to the person for services performed in Victoria are paid or payable for services performed mainly in regional Victoria.

NSW payroll tax: Additional reporting requirements for the upcoming annual payroll tax reconciliation

Revenue NSW has announced the following key changes to the reporting requirements for the 2025 payroll tax annual return process:

- *Workforce details*: The annual return form now includes additional questions to ensure correct payroll tax calculations. Employers must now report the total amount of liable and non-taxable payments for employment agency or labour hire arrangements made in NSW. This is in contrast to the prior year where these payments were reported under contractor payments. Contractor payments are still required be categorized into liable and exempt payments, if applicable and the exemptions utilised noted.
- *Bulk billing support initiative*: Businesses that employ general practitioner contractors in NSW will need to address a new question regarding the Bulk Billing Support Initiative rebate. This applies only to eligible medical centre businesses, which must indicate if they have received the rebate.

NSW payroll tax: Security services were not provided under employment agency agreement

On 3 June 2025 the NSW Civil and Administrative Tribunal handed down its decision in the matter of Nova Security Group Pty ltd v Chief Commissioner of State Revenue [2025] NSWCATAD 124 in favour of the taxpayer, finding it had not entered into employment agency contracts for the purposes of section 37 of the *Payroll Tax Act 2007* (NSW).

In this case, the taxpayer entered into a number of contracts with clients (typically licensed venues and pubs/clubs) to provide security services. These services included crowd control, checking identification, searching bags and ensuring safety at the relevant venue. The taxpayer held a master security license in accordance with the *Security Industry Act 1997* (NSW) and with the exception of two clients, its clients did not hold a similar license. In order to perform the required services for its clients the taxpayer primarily resourced these contracts through personnel obtained from subcontractors.

The Chief Commissioner of State Revenue of NSW issued payroll tax assessments for the years ended 30 June 2019 to 30 June 2022 on the basis it had determined that these arrangements were employment agency contracts. The primary question in dispute was whether the security guards were working “in and for” the conduct of the taxpayer’s clients, such that they would be viewed as being integrated or effectively added to the client’s business.

The Tribunal determined that while the taxpayer procured security guards to perform services for its clients, the security guards were not integrated into the client’s business and as such, they were not procured to provide services “in and for” the conduct of those clients’ businesses. On this basis, the Tribunal determined that these arrangements were not employment agency contracts under section *37 of the Payroll Tax Act 2007* (NSW).

QLD payroll tax Budget measures

On 24 June 2025, the Queensland Treasurer, Mr. David Janetzki, presented the Queensland Budget for the 2025-26 fiscal year. This included two payroll tax measures:

- *Payroll tax exemption for GPs*: Exempt certain payments made by medical practices to General Practitioners (GPs) from payroll tax permanently, effective 1 December 2024 (already enacted by *Revenue Legislation Amendment Act 2025* (Qld)).
- *Extension of payroll tax rebate for apprentices and trainees*: The current 50% payroll tax rebate on the exempt wages of apprentices and trainees will be prolonged for another year, lasting until 30 June 2026. (The Revenue and Other Legislation Amendment Bill 2025 was also introduced to give effect to this measure, along with other State tax measures.)

ACT payroll tax Budget measures

On 24 June 2025, the Australian Capital Territory (ACT) Treasurer, Mr. Chris Steel, presented the 2025-26 ACT Budget which introduced several adjustments to the payroll tax tax-free thresholds and rates:

- Starting 1 July 2026, the payroll tax exemption threshold will reduce from $2 million to $1.75 million.
- The payroll tax rates will vary according to a business's total national wages as follows:
  - 6.75% for businesses with wages ranging from $1.75 million to $20 million (a decrease from 6.85%)
  - 6.85% for businesses with wages between $20 million and $50 million
  - 7.25% for businesses with wages between $50 million and $100 million
  - 7.75% for businesses with wages exceeding $100 million.

In addition, the Government will also exempt income earned by GPs for bulk billed services from payroll tax liabilities from 1 July 2025.

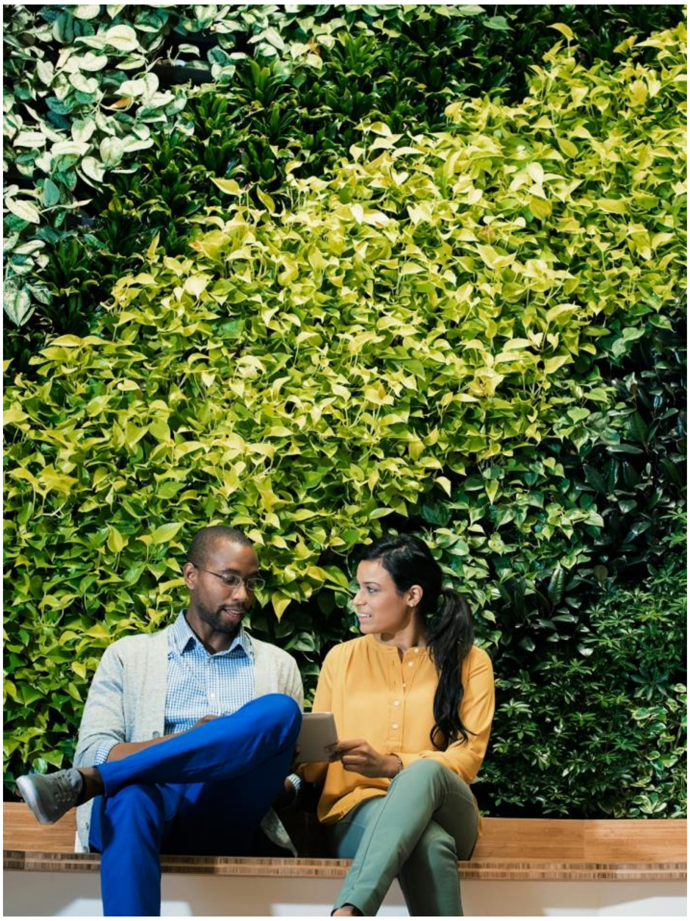
Superannuation and paid parental leave

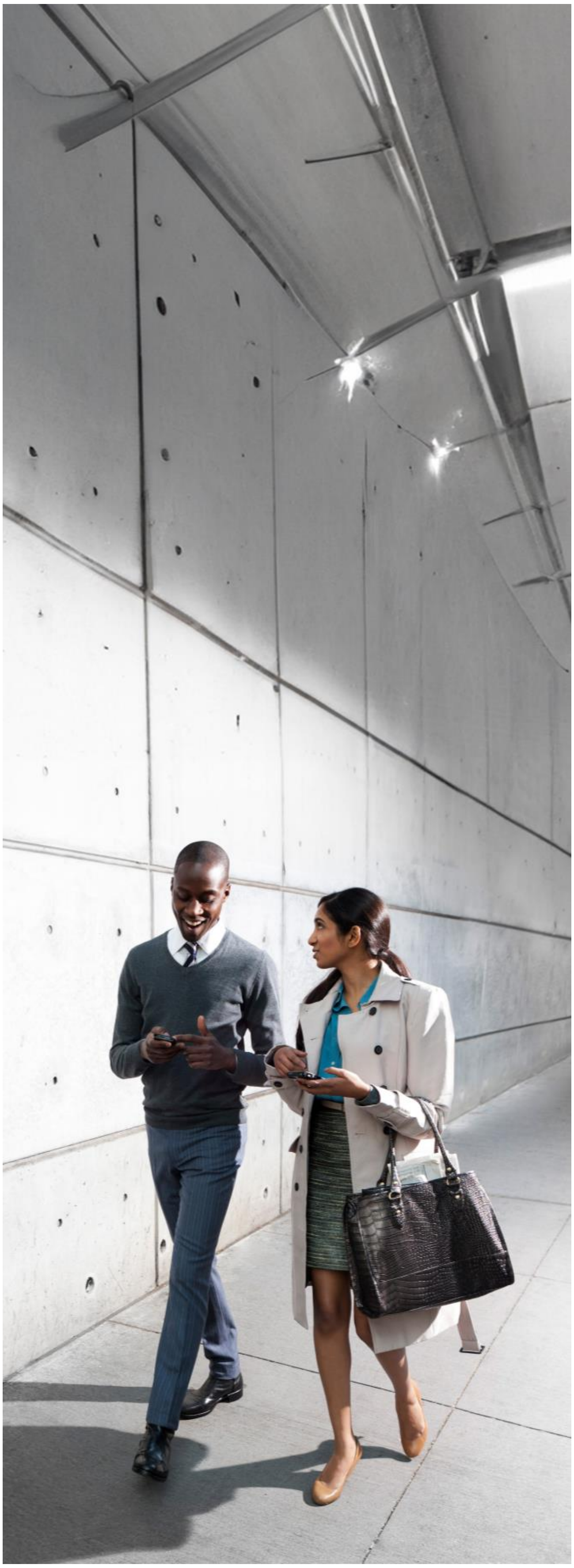
A legislative instrument makes consequential amendments to the *Superannuation Industry (Supervision) Regulations* 1994 (SIS Regulations) to support the amendments made by the *Paid Parental Leave Amendment (Adding Superannuation for a More Secure Retirement) Act 2024* (PPL Super Act).

The legislative instrument amends the SIS Regulations to ensure that paid parental leave superannuation contributions are included in the minimum benefits for members of defined benefit superannuation funds. An exemption is added for rule changes that allow fund trustees to be reimbursed for any overpaid PPL super contributions recovered by the Commissioner.

Superannuation funds (excluding self-managed funds) and retirement savings account holders must include paid parental leave super contributions in periodic statements. Trustees are no longer required to confirm with members each time a PPL super contribution is made to their account.

These amendments will take effect on 13 June 2025.





New PAYG withholding tables

The Commissioner of Taxation has released a new legislative instrument, Taxation Administration (Withholding Schedules) Instrument 2025, effective from 1 July 2025, which sets out 15 withholding schedules under the pay-as-you-go (PAYG) withholding regime. These schedules detail the formulas and procedures for calculating the amounts entities must withhold from certain payments, facilitating the collection of income tax, Medicare levy, and various student and apprenticeship loan repayments.

This 2025 instrument repeals and replaces the previous 2024 version. Of the 15 schedules, four have been updated:

- Schedule 5: The $1,200 threshold for lump sum E payments has been removed. From 1 July 2025, all back payments accrued more than 12 months before payment must be treated as lump sum E, regardless of amount, due to changes in legislation affecting Medicare levy treatment.
- Schedule 8: Updated to reflect the annual indexation and changes to repayment income thresholds for study and training support loans.
- Schedule 12: Updated for the annual indexation of the untaxed plan cap.
- Schedule 13: Updated to account for the indexation of the general transfer balance cap and the defined benefit income cap amount.

Additionally, four new Quick Codes (alphanumeric codes starting with “QC”) have been assigned to the updated schedules to help users quickly locate relevant information on the ATO website.

The remaining 11 schedules are unchanged and will continue to apply from 1 July 2025.

Indirect tax update

Luxury car tax thresholds for 2025-26

The Australian Taxation Office (ATO) has advised that the luxury car tax (LCT) thresholds for 2025-26 will remain unchanged from the 2024-25 rates, which are as follows:

- fuel efficient vehicles: $91,387
- other vehicles: $80,567

It is important to note however that, from 1 July 2025 (following amendments enacted by the Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025), the definition of a fuel-efficient vehicle is changed, by reducing the maximum fuel consumption for a car to be considered fuel-efficient for the LCT to 3.5 litres per 100 kilometres (down from 7 litres per 100 kilometres).

In addition, the indexation rates applying to the thresholds for fuel-efficient vehicles and other vehicles have been aligned.

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Draft instrument on application of intermediary supplied multi-media products

The ATO has released for comment draft Legislative Instrument LI 2025/D6 which proposes to ensure the continuation of the current instrument that specifies that supplies or acquisitions of multi-media products are supplies and acquisitions of a specified kind for the purposes of subsection 153-65(1) of the *A New Tax System (Goods and Services Tax) Act 1999*.

This means that supplies or acquisitions of multi-media products are supplies or acquisitions to which a section 153-50 arrangement will apply unless the intermediary, the principal, or both, notify the other in writing that they do not wish for this arrangement to apply. This arrangement applies to the supply of multi-media products made through retailers and distributors of those products including, but not limited to, newsagents, supermarkets, convenience stores and delivery agents.

Multi-media products are products that combine various forms of media, such as text, images, audio, video, and interactive elements, to convey information or provide entertainment. It also includes products that are provided as an add-on or extension to these products. However, lottery tickets (or similar products of a gambling nature), phone cards and gift cards are not multi-media products.

The instrument will apply to intermediaries and principals in simple two-party relationships and also intermediaries and principals in more complex multi-level arrangements involving sub-intermediaries.

Once finalised, the new instrument will have the same substantive effect as the one it is replacing, which would otherwise sunset on 1 October 2025. Comments closed 25 June 2025.

Draft instrument to waive tax invoice requirement for direct entry services

The ATO released for comment draft legislative instrument LI 2025/D7 which proposes to ensure the continuation of the current instrument that waives the tax invoice requirement in order to attribute relevant input tax credits to a tax period for a recipient of a supply of a Direct Entry Service in certain circumstances. The Direct Entry System (also known as the Bulk Electronic Clearing System) allows for high volume electronic debit and credit payments. It is used by businesses and government entities to make regular automated payments to and from bank accounts including direct debit and direct credit transactions.

The tax invoice waiver requirements include that the recipient must make a creditable acquisition of a direct entry service from an Australian authorised deposit-taking institution (ADI) which can include direct credit payments (such as salary and welfare payments), direct debit payments (such as utility bills), and consumer 'pay anyone' bank transfers. Furthermore, at the time that the recipient gives the goods and services tax (GST) return to the Commissioner they must hold a document from the Australian ADI that meets specified information requirements. These information requirements ensure the integrity of the GST system and require sufficient information to allow a number of key matters to be determined, including the nature of the transaction and the identity of the recipient and the supplier.

Once finalised, the new instrument will have the same substantive effect as the one it is replacing, which would otherwise sunset on 1 October 2025. Comments closed 25 June 2025.

Draft instrument on simplified accounting methods for government entities selling food in prisons

The ATO has released for comment draft Legislative Instrument LI 2025/D8 which proposes to allow eligible government entities that sell food in a prison or institutions where people are lawfully detained to use a simplified accounting method (SAM) to work out its net amount for a tax period.

Among others, the eligibility conditions to use the SAM include that the government entity must be a GST-registered retailer and, through a sub-entity, sell both taxable and GST-free food at the same premises. Further, the sub-entity must be located in a prison or an institution where people are lawfully detained and have a GST turnover that does not exceed $2 million (calculated by treating the sub-entity as if it were a separate entity from the government entity).

Once finalised, the draft instrument has the same substantive effect as the one it is replacing, which would otherwise sunset on 11 October 2025. Comments close 2 July 2025.

Draft instrument for extended time for electricity distributor or public utility provider to issue an adjustment note

The ATO has released for consultation draft Legislative Instrument LI 2025/D9 which proposes the extended time frame by which an electricity distributor must issue an adjustment note relating to a taxable supply of electricity distribution services to an electricity retailer and by which a public utility provider must issue an adjustment note relating to a taxable supply of utility services to a recipient.

Comments close 2 July 2025.

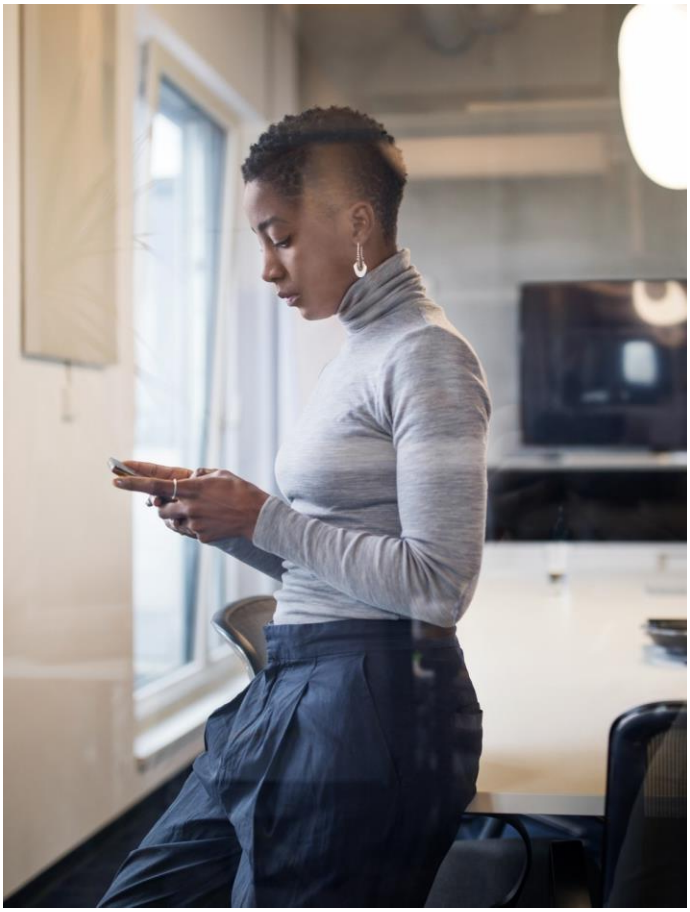
Draft instrument on attribution rules for specified supplies and acquisitions relating to copyright

The ATO has released for consultation draft Legislative Instrument LI 2025/D10 which sets out particular attribution rules for supplies and acquisitions made by copyright owners and collecting societies as defined under the *Copyright Act 1968*.

Specifically, the draft Instrument proposes to alter some of the basic GST attribution rules for:

- GST payable by collecting societies on taxable supplies they make to copyright owners
- GST payable by copyright owners on taxable supplies they make to third parties, and
- input tax credits for creditable acquisitions made by copyright owners.

Once finalised, the new instrument will have the same substantive effect as the one it is replacing. which would otherwise sunset on 1 October 2025. Comments close 2 July 2025.



Draft instrument on acquisitions of second-hand goods by second-hand dealers

The ATO has also released for comment draft Legislative Instrument LI 2025/D11 which allows GST registered entities to apply a global accounting method (pooling of credits and GST) for acquisitions of second-hand goods of a kind specified in the instrument.

Subdivision 66-B of the *A New Tax System (Goods and Services Tax) Act 1999* provides GST registered suppliers of second-hand goods with a global accounting method for calculating their GST liabilities where they acquire second-hand goods where GST was not included in the purchase price and those goods are divided up before resale. Under the global accounting method, entities 'pool' their input tax credits for eligible acquisitions and then offset this against the GST payable on subsequent sales made from those acquisitions. GST is only payable when the pool of input tax credits is exhausted.

The draft instrument specifies kinds of second-hand goods to which Subdivision 66-B applies where it otherwise would not.

Once finalised, the new instrument will have the same substantive effect as the one it is replacing, which would otherwise sunset on 1 October 2025. Comments close 16 July 2025.

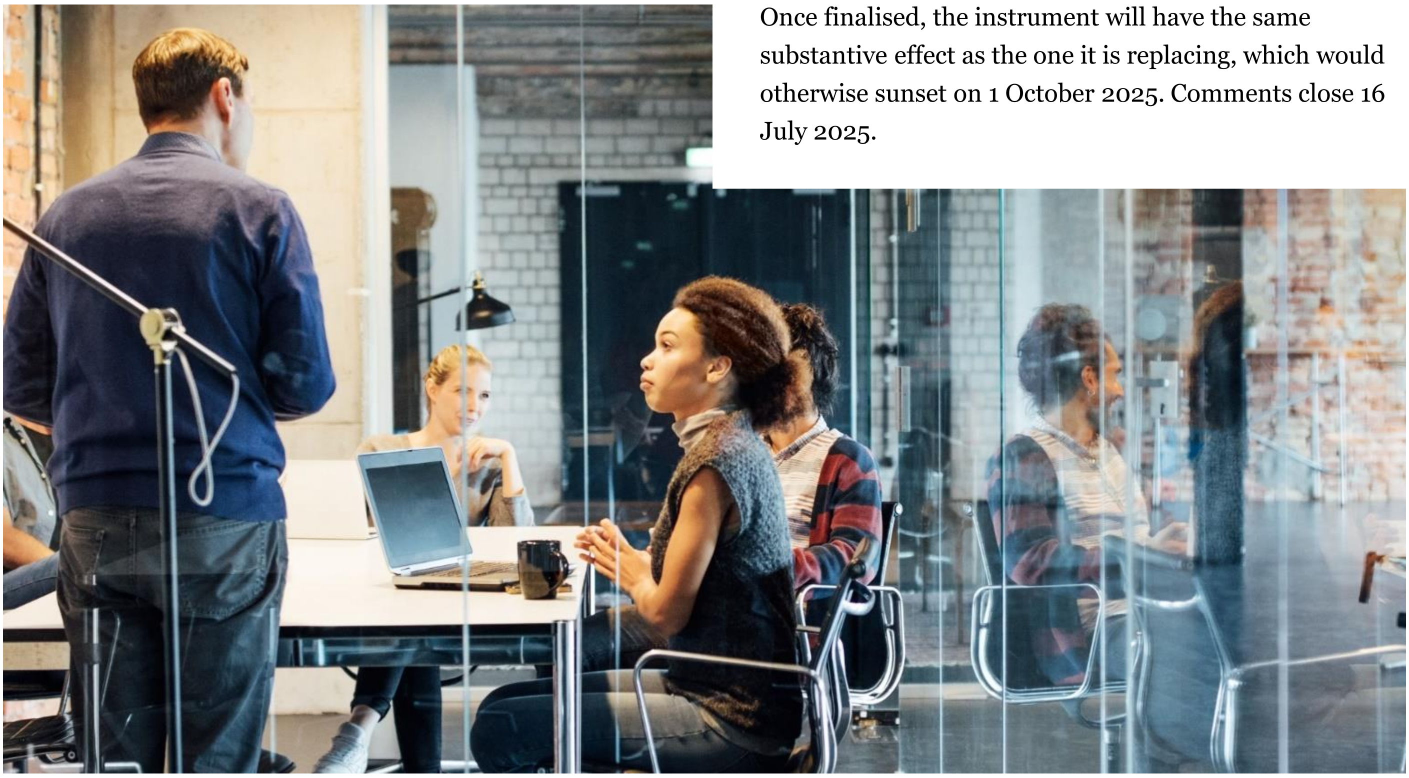
Simplified Accounting Method for small supermarkets and convenience stores

The ATO has released for comment draft Legislative Instrument LI 2025/D12, which allows eligible food retailers to adopt a SAM when calculating their net amount for the purposes of the GST Act.

To be eligible, an entity must be a retailer whose enterprise consists mainly of selling a range of food and other goods that are commonly sold by a supermarket or convenience store. A petrol station is not a convenience store and cannot use the SAM, even if part of its product range is similar to that of a convenience store. Furthermore, less than 5% of the total consideration for the sale of goods during the tax period must be from the sale of goods that are a taxable supply and those goods consist of, or include, ingredients that are GST-free. The entity's GST turnover also must not exceed $2 million.

Eligible retailers who choose to use the method will have an easy way to estimate their input tax credit entitlement in respect of their acquisitions of goods in a particular tax period, having regard to the percentage of their GST-free sales of goods against their total sales of goods during the tax period. Entities using the SAM must exclude alcoholic beverages and other goods that are uncommon or in substantially greater quantity or variety than those generally sold at supermarkets or convenience stores.

Once finalised, the instrument will have the same substantive effect as the one it is replacing, which would otherwise sunset on 1 October 2025. Comments close 16 July 2025.



International tax and trade update

Updated guidance on central management and control test of residency

The Australian Taxation Office (ATO) has released a brief update to Practical Compliance Guideline PCG 2018/9 which sets out the ATO's practical guidance to assist foreign-incorporated companies determine whether they are resident under the central management and control (CMC) test of company residency.

The update notes that the PCG may assist public companies in completing their annual Consolidated Entity Disclosure Statement (CEDS) and emphasises that the disclosures made in the CEDS are expected to align with those made in the company's income tax return. Importantly, the PCG now states that a company will not be considered 'low-risk' under the risk assessment framework if it self-assesses and reports as a non-resident for Australian tax purposes but has inconsistently reported as an Australian tax resident in the CEDS.

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ATO releases information on registering for public country-by-country reporting

The ATO has released updated guidance on public country-by-country (CBC) reporting, providing a first look at the registration requirements for this regime, which will apply to certain large multinational groups for reporting periods starting on or after 1 July 2024.

The guidance introduces a recommended registration process for affected reporting entities, in addition to highlighting which entities are required to report and the information that must be disclosed publicly. According to the ATO, registration will offer benefits such as simplifying the process of submission and publication of the relevant CBC information, with the first reports due in 2026.

As the reporting obligation under the public CBC regime sits with the parent entity of the group, many non-resident parents will need to engage with the Australian tax system for the first time. For further information, see our Tax Alert.

Australia's new thin capitalisation regime: ATO draft guidance on debt quantum

The ATO has released draft Practical Compliance Guideline PCG 2025/D2, which sets out the ATO's compliance approach to the application of the transfer pricing rules to the amount of a taxpayer's inbound cross-border related party debt, provides a framework for taxpayers to self-assess the risk of their arrangements, and sets out factors that are relevant in determining and testing the amount of inbound cross-border related party debt. It also outlines the ATO's expectations regarding documentation and evidence in relation to the amount of inbound cross-border related party debt.

This is the last of the three high priority areas the ATO flagged for guidance on the new thin capitalisation rules. Comments on the draft PCG closed 30 June 2025.

For further information, refer to our Tax Alert.

ATO updated website guidance on Pillar Two

The ATO has published updates on its website about key aspects of the global and domestic minimum tax in Australia. The updated information now includes:

- guidance about how the ATO will administer potential amendments to Australian law to address inconsistencies
- an overview of the mechanics for calculating top-up tax
- additional information on how the rules apply, including in respect of specific entities
- additional information and examples about lodgment, payment and record-keeping obligations, and,
- how Pillar Two interacts with other provisions (e.g. controlled foreign companies, foreign income tax offsets, hybrid mismatch rules and foreign hybrids) and how it applies.

Updated guidance on cross-border recovery of tax debts

The ATO has updated its Practice Statement Law Administration PS LA 2011/13 that outlines the options available to the ATO to recover tax debts incurred in Australia where the debtor is outside Australia and how the ATO deals with a request received from another country for assistance in the recovery of a tax debt owing to that other country.

In addition to checking the content of the PS LA for technical accuracy and currency, the ATO has also updated PS LA 2011/13 to add a 'more information' section which includes links to Organisation for Economic Co-operation and Development (OECD) publications and other relevant Practice Statements.

Additional time to notify of changes of foreign ownership of Australian assets

The ATO has released for comment draft Legislative Instrument LI 2025/D13, which allows the Registrar of Foreign Ownership of Australian Assets to extend the period in which a register notice must be given by foreign persons.

Specifically, the Register records certain actions (for example, acquisitions) relating to interests in land, water, entities, businesses and other assets in Australia. It also requires foreign persons who have undertaken such actions to register the interests they acquire or dispose of as a result of the action. A register notice must be given to the Registrar within 30 days of the registrable event date.

The draft instrument proposes to allow the Registrar to, by notice in writing, extend the period to deliver the register notice by any number of days and grant any number of subsequent extensions. In practice, foreign persons seeking an extension will need to specify their preferred period.

In determining whether and for what period an extension of time to lodge a register notice should be granted, the instrument details a variety of factors may be taken into account, including (but not limited to) the type of actions and interests to be registered, the timing of the request, the explanation for failing to lodge within the time limit, the foreign person's efforts in complying with their register obligations, and the complexity of the foreign person's register obligations.

Comments close 16 July 2025.

PwC has services available to assist with foreign investor compliance (see here for more information).

MLI update – synthesised text for New Zealand

The ATO has published the synthesised text of the Convention between Australia and New Zealand for the Avoidance of Double Taxation with respect to Taxes on Income and Fringe Benefits and the Prevention of Fiscal Evasion, as modified by the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (the MLI).

Latest on proposed US tax law changes

As noted in last month's Monthly Tax Update, a Bill is proposed in the United States (and has passed through the House of Representatives) that features a large number of new business and individual tax proposals, including a new retaliatory measure to address 'unfair foreign taxes' (Section 899). The retaliatory measure, if passed, could still materially impact Australian businesses with US operations or investments.

On 16 June 2025, the US Senate Finance Committee Chairman released a Senate reconciliation tax package, which is intended to operate as the Finance Committee portion of a Senate substitute for the tax provisions already approved by the House. This includes a version of the House-proposed Section 899 to address countries with "unfair" foreign taxes but with significant modifications, including changes to the definition of what constitutes an 'unfair tax' and a deferral of the substantive withholding tax and Base Erosion Anti-Abuse Tax (BEAT) modifications until a tax year beginning after 31 December 2026.

Republican Congressional leaders have set a goal of sending a final bill to be signed by President Trump before Congress begins a 4 July 2025 recess, but efforts to enact a 2025 reconciliation bill could continue into July. The House and Senate will have to agree on a final identical version of the Bill that can be approved by both chambers.

For information about the Senate proposal at the time of writing, refer to this PwC US Tax Insight.

UK consults on transfer pricing, PEs and Diverted Profits Tax reforms

The United Kingdom (UK) government has commenced consultation on draft legislation aimed at reforming the rules governing transfer pricing, permanent establishment (PE) and Diverted Profits Tax (DPT). This is part of the UK Government's Corporate Tax Roadmap, which seeks to modernise and simplify the tax rules.

In addition, a consultation has been initiated on two further transfer pricing related proposals – amending the existing exemption for small and medium enterprises and introducing a new tax compliance requirement for all multinationals to report information on cross-border related-party transactions to HMRC via an International Controlled Transactions Schedule (ICTS). Read more in this Tax Insight.

New Zealand Budget

The New Zealand Government delivered its 2025 Budget on Thursday, 22 May 2025. Among other things, it includes an Investment Boost which is an additional 20% tax incentive for New Zealand businesses to invest in new assets and also establishes Invest New Zealand, a new dedicated agency to attract global capital, businesses, and talent into New Zealand's high-value industries and help drive long-term economic growth. For further information, see PwC New Zealand's Budget summary.

OECD's Common Reporting Standard updates

The OECD has released an unofficial consolidated text of the Common Reporting Standard (CRS), incorporating recent amendments made, resulting from the comprehensive review of the Standard. This includes reference to specific electronic money products and central bank digital currencies and revisions to ensure that indirect investments in crypto-assets, through derivatives and investment vehicles, are now subject to the CRS. The CRS calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis.

The OECD has also released version 3.0 of the user guide for the Common Reporting Standard Status Message XML Schema, and version 1 of the user guide for the Crypto-Asset Reporting Framework (CARF) Status Message XML Schema. The XML Schemas are designed to support the automatic exchange of information pursuant to the CRS/CARF, as applicable. The third version of the CRS Status Message is applicable for exchanges as from 1 January 2027. The first exchanges under the CARF are currently scheduled for September 2027.

OECD report on digitalisation and digital transformation

The OECD has released a report, Tax Administration Digitalisation and Digital Transformation Initiatives, which takes a close look at the technology tools and digitalisation solutions implemented by the 54 members of the OECD Forum on Tax Administration, of which Australia is a member. The report shows that:

- most taxpayers are already using a digital identity to access online services offered by the tax administration
- administrations are integrating tax interactions into third party systems, with more than 80% of tax administrations developing application programming interfaces (APIs), and over three quarters of them making their APIs publicly available for third party use
- tax administrations increasingly receive data directly from taxpayer business systems and third parties, with around 80% of administrations reporting getting data directly from taxpayer business systems, beyond pay-as-you-earn information, with some data already being sent to the administration automatically from machine-to-machine without human involvement
- many taxpayers enjoy a seamless experience through full prefilling of tax returns
- artificial intelligence is being used by more than 70% of tax administrations to enhance effectiveness and efficiency within the administration, with the most common use case being the involvement of AI in the detection of tax evasion and fraud
- many administrations have started identifying and mapping the skills required for a digital transformation, and
- nearly 80% of administrations have developed a digital transformation strategy.

Update on US trade developments

Since the introduction of reciprocal tariffs on 2 April 2025 by the United States (US), the global trade policy landscape has continued to shift rapidly. Multinational companies around the world should continue to assess the impact of evolving trade policies on their global business footprints. For an analysis on the current impact of US tariff changes for companies, see this PwC US Tax insight.

For further information on the latest tariff and trade measures and what they mean for Australian businesses, refer to PwC Australia's updated Tax Alert.

Personal tax update

Deduction for occupancy and car expenses allowed

In Hall v FC of T [2025] ARTA 600, the Administrative Review Tribunal (ART) found that a taxpayer was entitled to deductions for occupancy expenses being the proportion of rent on his residential property referable to the use of his home office and car expenses.

The taxpayer was a sports presenter and producer employed full time working in Melbourne. In the 2020-21 income year (during the COVID-19 lockdowns in Melbourne), the taxpayer undertook all his digital work roles from a laptop in a spare bedroom at his home, and his live roles from studios in Melbourne.

In respect of the occupancy expenses, the ART commented in its decision that the taxpayer had no choice in the 2021 income year as to where he worked. His employer, quite appropriately, would not permit him into the studios other than for an extremely limited purpose undertaken for clearly identified hours.

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Whilst the use of an apartment is generally domestic, the particular requirements imposed on the taxpayer by both the Victorian Government and his employer, meant that in the 2021 income year the residential property was both his home and his workplace, being where he earned the majority of his assessable income. That is, the expense was incurred in gaining his assessable income and was not private or domestic. Whether it would be so in any other circumstances or any other income year was not something the ART needed to consider.

In respect of the car expenses, the taxpayer claimed the 'cents per kilometre' method for driving between his residence and the studios. Significantly, the taxpayer only had one employer, but two distinct aspects to his job - each of those aspects of his work, during the 2021 income year, could only be undertaken from the location in which he undertook them. The ART found that the taxpayer made a reasonable estimate of the business kilometres he travelled between his two workplaces, with the result that a deduction for car expenses was also allowed.

The Commissioner has since appealed to the Full Federal Court against the decision.

New methodology to calculate plug-in hybrid electric vehicle home charging rate

Practical Compliance Guideline PCG 2024/2 is being updated to include a methodology to calculate the cost of electricity when a plug-in hybrid electric vehicle (PHEV) is charged at an individual's home. This extends the PCG's application from applying to only electric vehicles to also apply to PHEVs, with taxpayers able to choose to utilise the methodology outlined in PCG 2024/2DC on a year-by-year basis.

Under the proposed update, the Commissioner would not have cause to apply compliance resources to review a calculation of electricity costs of charging a PHEV at a residential premises that are claimed from 1 July 2024 as a work-related car and motor vehicle deduction where the specified methodology is followed. This also applies in the case of working out any fringe benefit tax for an employer where the employee charges the vehicle using electricity at a residential premises (see Employment Taxes section of this update for further details).

State tax update

2025-26 NSW Budget

The 2025-26 New South Wales (NSW) Budget was delivered on 24 June 2025.

As announced in the lead-up to the Budget, the NSW Government confirmed that the 50% reduction in assessed land tax for build-to-rent (BTR) housing developments will be made permanent. Furthermore, the existing requirement that a proportion of labour force hours for construction be performed by specified classes of workers will also be removed. The extended concession takes effect from the 2026 land tax year. BTR developers will also be able to apply for exemptions from foreign purchaser duty and land tax surcharges (or apply for a refund of surcharges paid).

The NSW Government will also introduce a critical minerals royalty deferral scheme to support new mining projects, attract additional investment to regional areas and support the development of an industry segment crucial to the energy transition (refer to Revenue and Other Legislation Amendment Bill 2025 , which was introduced to the NSW Parliament on 24 June 2025).

For further information on the 2025-26 NSW Budget, see our Australian State and Territory Budget Insights 2025-2026.

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2025-26 QLD Budget

The 2025-26 Queensland (QLD) Budget was delivered on 24 June 2025. The Budget centres on various measures involving a focus on infrastructure and strengthening initiatives in housing, healthcare, safety, and reducing living expenses for families.

The Budget has implemented and proposes to streamline revenue initiatives, with the Revenue and Other Legislation Amendment Bill 2025 being introduced to give effect the following Budget measures:

- the pre-Budget announcement to extend the $30,000 grant for first home buyers until 30 June 2026. This extension of the first home owner grant follows the Queensland Government's abolition of stamp duty for eligible first home buyers who purchase or build a new home in QLD.
- new windfall tax provisions, which seek to impose windfall duty or land tax in circumstances where provisions imposing QLD foreign surcharges are found to be constitutionally invalid or inoperative. These windfall taxes are designed as an alternative measure to ensure revenue protection in the event of a successful legal Constitutional challenge against the current foreign surcharges.
- an extension of the 50% payroll tax rebate for wages paid or payable to apprentices and trainees for a further year, until 30 June 2026.

The Budget also announced that the Government would simplify and streamline the process for ex gratia relief from the land tax foreign surcharge and additional foreign acquirer duty which generally applies to Australian-based foreign entities that contribute to residential housing development or the local economy and community. The Government will consult with industry to identify and implement appropriate changes to the ex gratia eligibility criteria to support new housing development, through the newly re-established property Consultative Committee. This process is expected to be completed by the end of 2025, with new guidelines to be released.

For further information on the 2025-26 QLD Budget, see our Tax Alert.

2025-26 ACT Budget

The 2025-26 Australian Capital Territory (ACT) Budget was delivered on 24 June 2025. This Budget includes a record investment in health, and more investment in housing. This comes at a cost which has been tackled in the form of revenue raising measures including:

- A $250 Health Levy which will be paid in addition to rates, which will increase on average in 2025-26 by 3.75% for residential land.
- A reduction in the level of concessions applied to motor vehicle stamp duty for zero emissions vehicles such that from 1 September 2025, a minimum 2.5% duty rate and increasing duty rates will proportionally apply based on emissions and value. There will also be a new tax rate of 8% for motor vehicle duty on the value of vehicles above $80,000.
- A broadening of the payroll tax base by reducing the tax-free threshold to $1.75m while reducing the initial payroll tax rate (refer to the Employment Taxes Update).

However, to support housing affordability, the price threshold for the Home Buyer Concession Scheme, the Pensioner Duty Concession Scheme and the Disability Duty Concession Scheme, will increase from 1 July 2025 and be indexed annually to the Canberra Consumer Price Index (CPI), rounded to the nearest $5,000. In 2025-26, the threshold will be $1,020,000. The price thresholds for the Off-the-plan and RZ1 unit duty exemptions will also be increased to $1,020,000 for 2025-26. In addition, under Stage Three settings for the ACT Tax Reform program, the lowest marginal conveyance duty tax rate for homebuyers will reduce from 0.4% to 0.28% in 2025-26.

For further information on the 2025-26 ACT Budget, see our Australian State and Territory Budget Insights 2025-2026.

2025-26 Western Australian Budget

The 2025-26 Western Australian Budget was delivered on 19 June 2025. Although its focus was on cost-of-living relief, housing, education and training, health, manufacturing and infrastructure, some revenue-related tax measures were mentioned, which included:

- increased land tax relief for build-to-rent (BTR) developments - eligible projects that become operational (able to be lawfully occupied) between 1 July 2025 and 30 June 2028 will increase from 50% to 75% for the first three assessments years, after which the concession will revert to 50%
- various first home owner concessions, including for transactions entered into on or after 21 March 2025, a transfer duty exemption for established properties for purchases up to $500,000 and a concessional rate of duty for purchases up to $750,000. For vacant land, the transfer duty exemption is increased on purchases up to $350,000 and a concessional rate of duty for purchases up to $450,000 (previously announced and enacted on 19 June 2025 by the Duties Amendment Bill 2025 (WA) – refer also to the following information sheet from the WA Government), and
- an extension of the off-the-plan transfer duty concession by 12 months to 30 June 2026 and increase to the concession's lower and upper property price thresholds to $750,000 and $850,000 (previously announced and enacted on 19 June 2025 by the Duties Amendment Bill 2025 (WA) – refer also to the following information sheet from the WA Government).

For further information on the 2025-26 Western Australian Budget, see our Tax Alert.

2025-26 South Australian Budget

The 2025-26 South Australian (SA) Budget was delivered on 5 June 2025. No new State tax measures were announced and there are no proposed changes to existing taxes. The Budget forecasts a $179m surplus, with substantial investments in health, housing, and infrastructure.

For further information on the 2025-26 SA Budget, see our Tax Alert.

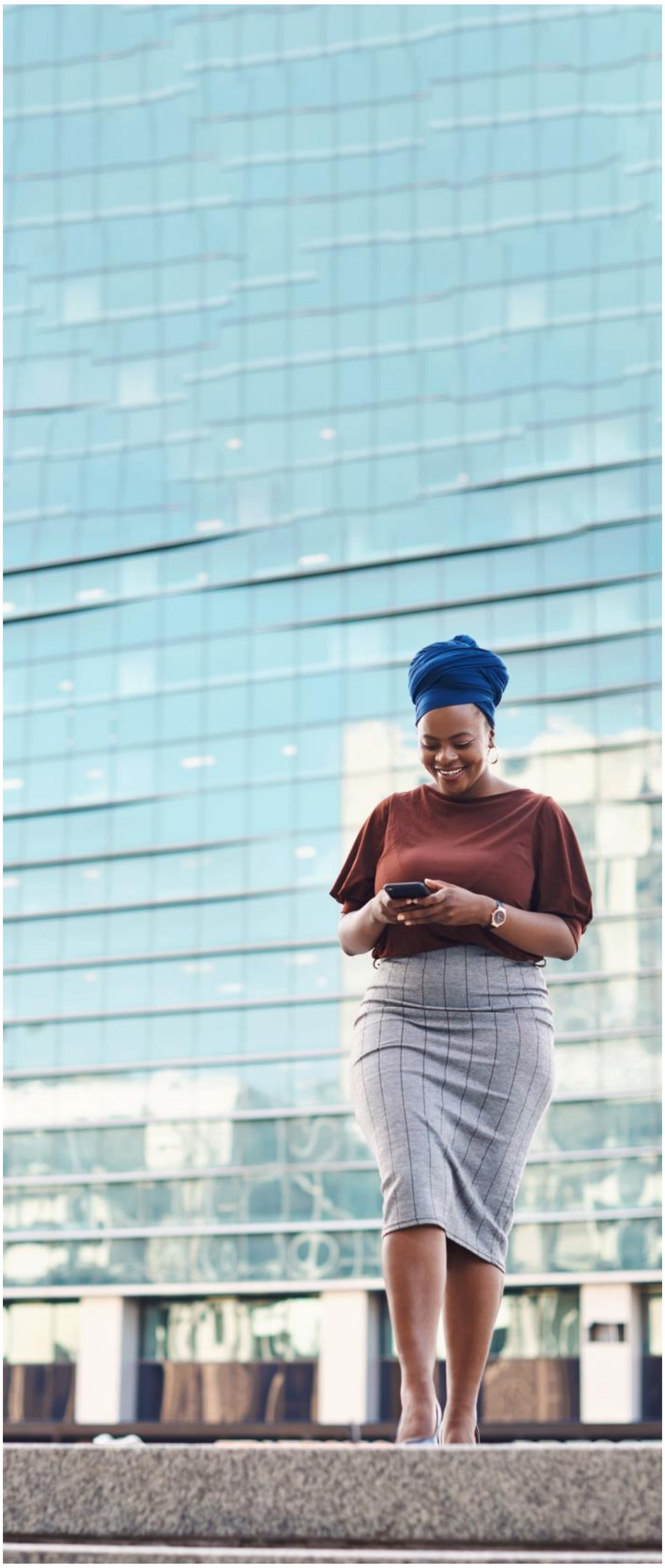
Victoria: Duties and land tax amendments now law

Following the Victorian 2025-26 State Budget, the State Taxation Acts Amendment Bill 2025 (Vic) has been introduced into the Victorian Parliament and has subsequently been passed enacted. The Bill introduced amendments to various acts including to:

- *the Commercial and Industrial Property Tax Reform Act 2024 (Vic)* – to authorise the Commissioner to provisionally determine that land has a qualifying use for the purposes of that Act
- *the Duties Act 2000 (Vic)* – to amend the duty payable on a transaction that relates to subdivided tax reform scheme land, and exempt persons affected by family violence from certain requirements under the Act
- *the First Home Owner Grant and Home Buyer Schemes Act 2000 (Vic)* – to exempt persons affected by family violence from certain conditions imposed by that Act
- *the Land Tax Act 2005 (Vic)* – to exempt persons affected by family violence from certain requirements under that Act. Other amendments relate to dwellings in a build-to-rent development, circumstances in which the Commissioner must be notified of matters involving land subject to a trust, and making further provision for exemptions from land tax for land used and occupied as a person's principal place of residence, and
- *the Taxation Administration Act 1997 (Vic)* – to introduce a new rate of penalty tax for recklessness by a taxpayer or their agent as to the operation of a taxation law or their obligations under certain State taxation laws.

For information on amendments made by this Bill concerning payroll tax, see the Employment Taxes Update.

NSW: Land tax - Commercial elements of mixed use development deny PPR relief



In Simich v Chief Commissioner of State Revenue [2025] NSWSC 559, the NSW Supreme Court has upheld the decision that a taxpayer was not entitled to the principal place of residence (PPR) land tax exemption on a purchase of mixed-use land.

In December 2020, the taxpayer purchased a parcel of land subject to an existing development consent for 'demolition of existing buildings and construction of a new three to four storey building shop top housing development'. In accordance with the development consent, they commenced the construction of a four-storey residence on the land, with spaces on the ground floor separately designated for commercial use, residential use, and for mixed commercial/residential use. The taxpayer intended that the commercial spaces, although required to be constructed by the relevant planning approval, would be left vacant.

For the 2021 and 2022 land tax years, during the period in which construction was underway but while the land was otherwise unoccupied, the taxpayer was assessed to land tax. The taxpayer objected on the basis that they were entitled to the PPR exemption under clause 6(1) of *Schedule 1A to the Land Tax Management Act 1956 (NSW)*.

On appeal from the Civil and Administrative Tribunal, the Supreme Court found for the Commissioner, finding that it was appropriate for the Tribunal to approach the clause 6(2)(c) issue which requires a consideration of whether the intended use and occupation of the premises 'is not unlawful' in the way it did. The proceedings were conducted on the express basis that the lawfulness of the taxpayer's intended use and occupation of the commercial spaces could be determined by reference to whether any such use and occupation was 'for residential purposes'. The Tribunal was entitled to proceed on the basis that any use of the commercial spaces, including a use that involved leaving them vacant, would be unlawful if that use was for residential purposes.

NSW: Trust deed amendment did not disapply duty exemption on inter-generational farm transfer

In Camwall Pty Ltd atf Antap Trust v Chief Commissioner of State Revenue [2025] NSWCATAD 136, the NSW Civil and Administrative Tribunal found that an amendment to a trust deed did not alter the dutiable transaction related to an intergenerational transfer of primary production land.

In October 2023, the taxpayer entered into an agreement to purchase land used for primary production. This was an intergenerational transfer of land used for primary production between family members - the sole director of the taxpayer was the transferor's son and was the person who at all relevant times had carried on the family business.

The Chief Commissioner of State Revenue determined that the taxpayer's purchase of the property was not exempt from duty under section 274 of the *Duties Act 1997 (NSW)* (transfer of certain business property between family members), and assessed the taxpayer as being liable for ad valorem duty. The basis for this assessment was that an amendment to the trust deed, which substituted another person entitled, as taker in default, in January 2024 meant that the three-year requirement in section 274(4A)(b)(ii) could no longer be met, and so the taxpayer's intergenerational transfer duty exemption had to be revoked.

The Tribunal firstly concluded that the date on which the Commissioner should be satisfied of the matters in section 274(2) to (4) for the exemption to apply, is the date on which liability for duty arises under Chapter 2 of the Duties Act (in this case, October 2023).

Secondly, in relation to whether the trust deed amendment prior to the expiry of three years after the date of 'transfer' revoked the taxpayer's entitlement to the section 274 exemption, the Tribunal concluded that on its proper construction and application, it is the 'entitlement' which must be continuing to exist for three years and, by reason of section 274(2), the person so entitled must be a family member of the transferor or the person directing the transferor.

The Tribunal was satisfied that, even with an amendment of the trust deed, the transfer of the property in this case was clearly an intergenerational family farm transfer falling within the object and purpose of section 274 of the Duties Act. The Commissioner's assessment decision was set aside and remitted back to the Commissioner for reconsideration.

VIC: Land tax - Assessment to vacant residential land tax upheld

In Burke v Commissioner of State Revenue (Review and Regulation) [2025] VCAT 493, the Victorian Civil and Administrative Tribunal has upheld an assessment to vacant residential land tax (VRLT) for the 2019 land tax year.

The taxpayer argued that the VRLT was not applicable since following a burglary which included the removal of all copper piping in the property, the property was uninhabitable. However, given the burglary took place in 2021, there was no evidence of the property being uninhabitable as at 31 December 2018 and so, on the balance of probabilities, the Tribunal was satisfied that the property was 'capable of being used solely or primarily for residential purposes' and was therefore residential land at that time.

The Tribunal also observed that the VRLT has always applied to land subject to construction or renovation where the construction or renovation takes more than two years from the granting of a planning permit. In the present case, there was no evidence of any construction or renovation commencing in the 2018 calendar year. Further, there is no discretion given to the Commissioner to treat land as not being vacant where there is an intention to construct or renovate premises which is unable to be commenced, no matter how acceptable (or otherwise) those reasons may be.

QLD: No resale agreement meant transfer duty exemption on cancelled agreement

In FKG01 Pty Ltd v Commissioner of State Revenue [2025] QSC 105, the Supreme Court of QLD considered the proper construction of section 115(1)(d) and (2) of the *Duties Act 2001 (Qld)* concerning when an exemption from paying transfer duty arises in relation to a cancelled agreement, finding in favour of the taxpayer.

The key issue for determination in this case was whether a replacement contract that was entered into, after the cancelled agreement, between the same seller and a new buyer (who was a related company to the taxpayer), was a resale agreement under section 115(1)(d) and (2) of the *Duties Act* thus preventing the Commissioner of State Revenue from refunding the duty that the taxpayer had paid on the original contract.

The Commissioner's argument that the new buyer and the taxpayer received certain financial benefits that made the replacement contract a resale agreement, with the consequence that transfer duty was payable and not refundable, on the original contract was rejected.

Ultimately, the Supreme Court found that there was no financial benefit. Specifically, the Court concluded that the taxpayer's release from its obligations under the original contract was not a financial benefit that resulted in the replacement contract being a resale agreement. As to the second alleged benefit, being the promise by the seller to indemnify the buyer against any duty that might be incurred in relation to the deed or the original contract, the Court similarly found that there was no financial benefit falling outside section 115(2)(b) - an indemnity that does not operate to provide an actual financial benefit is not itself a financial benefit and any reasoning to the contrary is circular. As a result, the replacement contract was not a resale agreement, and section 115(1)(d) applied to the cancelled contract to exempt it from transfer duty.

Superannuation update

Guidance on deductibility of personal financial advice fees finalised

The Australian Taxation Office (ATO) has finalised Practical Compliance Guideline PCG 2025/1, which outlines:

- a methodology a trustee of a superannuation fund (other than a self-managed superannuation fund (SMSF)) can use to determine the extent to which payments of financial advice fees satisfy paragraph (d) of table item 5 of subsection 295-490(1) of the *Income Tax Assessment Act 1997*, which requires that an amount is not incurred in relation to gaining or producing a fund's exempt income or non-assessable non-exempt income for it to be deductible (Part 1 of the Guideline), and
- the ATO's compliance approach in relation to a fund's (including a self-managed superannuation fund's) pay as you go (PAYG) withholding obligations for financial advice fees paid in the income years prior to 1 July 2019 (Part 2 of the guideline).

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For the 2019-20 income year and later income years, the ATO will not apply compliance resources to review the apportionment of a fund's deduction for financial advice fees for the purposes of paragraph (d) of table item 5 of subsection 295-490(1) where the fund is a complying or non-complying superannuation fund (other than an SMSF) and uses the account-based method outlined in the Guideline, alongside specified method requirements.

Under the account-based method:

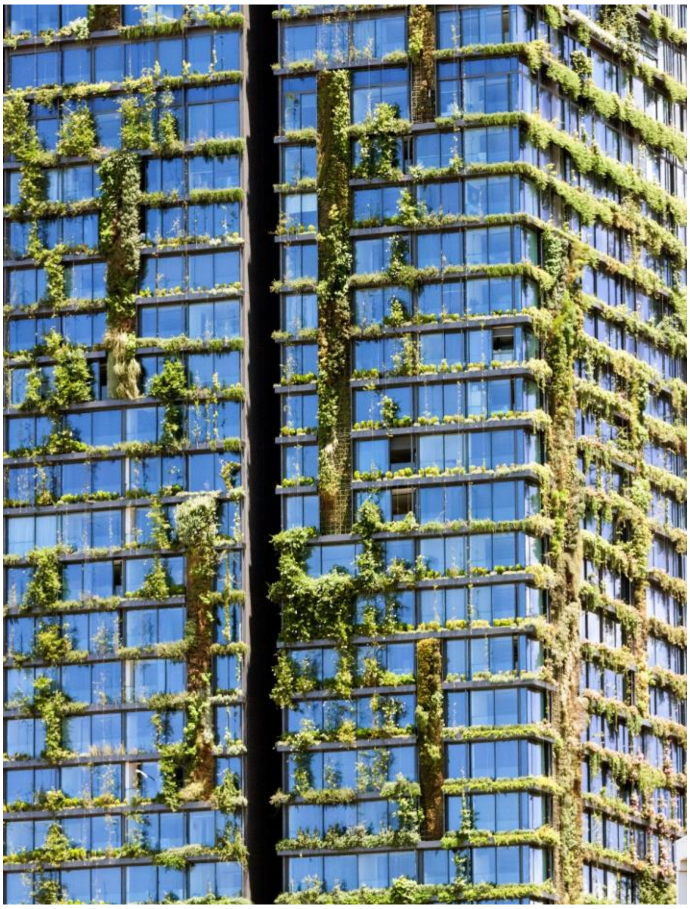
- a financial advice fee that is paid from, or charged to, a member's accumulation phase account can be regarded as being incurred in relation to gaining or producing the fund's assessable income
- a financial advice fee that is paid from, or charged to, a member's retirement phase account is regarded as being incurred in relation to gaining or producing the fund's exempt income or non-assessable non-exempt income, and cannot be included in calculating the fund's deduction.

Note that other requirements in paragraphs (a), (b), or (c) of table item 5 of subsection 295-490(1) must also be satisfied for a payment of a financial advice fee to be deductible under that item.

Part 2 of the Guideline is concerned with historical PAYG withholding obligations. As a transitional approach, the ATO will not apply compliance resources to specifically identify whether any payments of financial advice fees in the 2018-19 and earlier income years should be characterised as superannuation benefits, and consequently whether the fund has correctly withheld from payments of financial advice fees in the 2018-19 and earlier income years. This approach applies to all funds, including SMSFs.

Addendum to ruling on UPP for Austrian pensions

Article 18 of the double taxation agreement between Australia and Austria provides for the taxation of pensions and annuities (other than government service pensions paid to former Austrian government employees) only in the recipient's country of residence. Social security (superannuation insurance) pensions received by Australian residents from Austrian superannuation insurance funds must be included in the recipient's assessable income for Australian taxation purposes under section 27H of the *Income Tax Assessment Act 1936*. The taxable amount of these pensions can generally be reduced by the pension's undeducted purchase price (UPP). The ATO has released an Addendum to Taxation Ruling TR 2002/17, which updates TR 2002/17 to amend the tables with relevant information relating to years from 2001 onwards and make minor corrections to out of date references.



Legislative update

There have been no legislative updates from Parliament since our last update. The new Federal Parliament is expected to resume sittings from 22 July 2025.

The following Commonwealth revenue measures were registered as a legislative instrument since our last update:

- Treasury Laws Amendment (Paid Parental Leave Superannuation Consequential Amendments) Regulations 2025, which makes consequential amendments to the *Corporations Regulations 2001 and the Superannuation Industry (Supervision) Regulations 1994* to support the new superannuation contribution requirement on the Paid Parental Leave scheme for births and adoptions on or after 1 July 2025.
- Taxation Administration (Withholding Variation for Certain Payments Made by External Administrators and Trustees of Bankrupts' Estates) Legislative Instrument 2025, which varies the amount an external administrator or a trustee of a bankrupts' estate must withhold under the pay as you go (PAYG) withholding system for certain payments made to employees of the entity over which they are appointed, with effect from 1 July 2025.
- Taxation Administration (Withholding Schedules) Instrument 2025, which specifies the amount, formulas and procedures to be used for working out the amount required to be withheld by an entity under the PAYG withholding system with effect from 1 July 2025.

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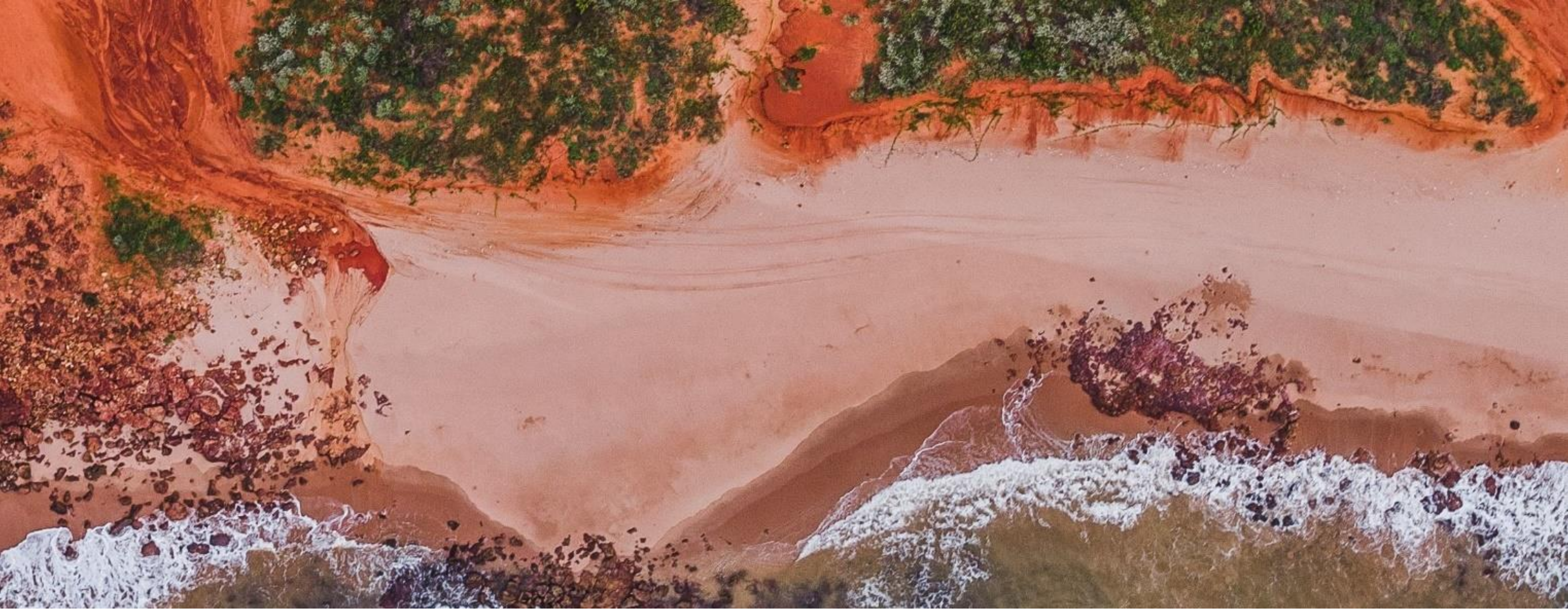

Other news update

Tax reform on the horizon

Treasurer Jim Chalmers has delivered an address to the National Press Club in Canberra, discussing economic reform during the Labor government's second term.

Among other matters, the Treasurer spoke to potential tax reform, noting that no progress can be made on productivity, resilience or budget sustainability without proper consideration of more tax reform.

Between 19-21 August 2025, a reform roundtable will be held, to discuss shaping the direction for long term economic reform, with around 25 attendees, drawn from a mix of government, business, union and civil society representatives and experts. The Productivity Commission's interim five pillar reports will also be a key input into the discussion.

Ahead of the roundtable, the agenda will be published, alongside key issues and attendees. Outside of the roundtable, a call for targeted submissions will be released, with comments able to be submitted through a dedicated Treasury channel.

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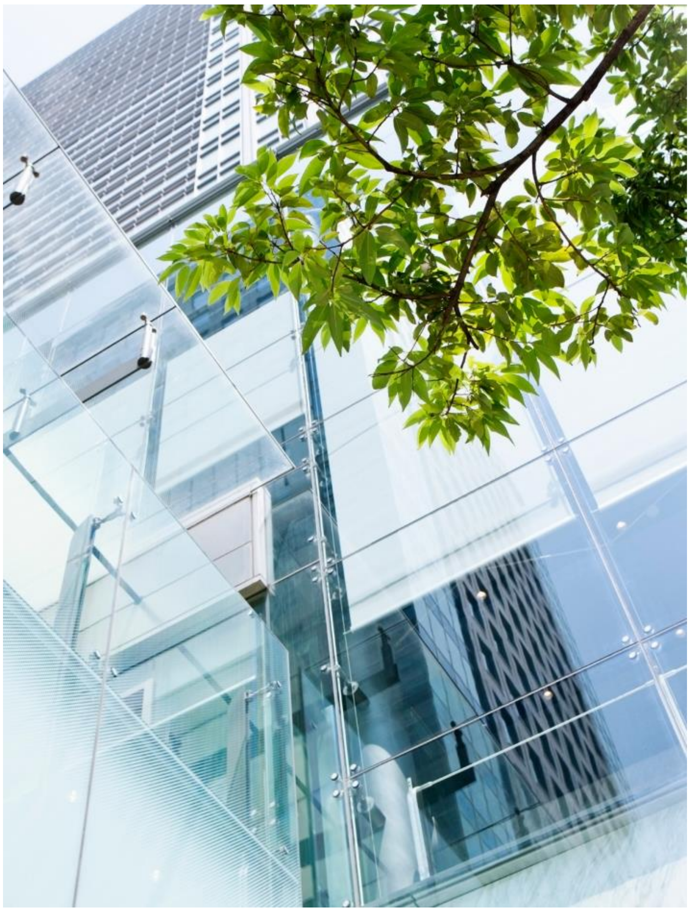
Depreciation car limit for 2025-26

The Australian Taxation Office (ATO) has advised that the car limit for capital allowance purposes for the 2025-26 financial year will remain at $69,674, which is unchanged from the limit that applied in the 2024-25 financial year.

The car limit is used, among other things, to work out the depreciable cost of passenger vehicles (except motorcycles or similar vehicles) designed to carry a load of less than one tonne and fewer than nine passengers.

Consultation on giving fund reforms

Treasury has released a consultation paper concerning proposed reforms to the treatment of giving funds. A giving fund - currently described in tax law as an ancillary fund - is a trust set up and maintained solely for the purpose of providing money, property or benefits to deductible gift recipients (DGRs). Although a giving fund is also a DGR, it does not undertake its own charitable work. Instead, it acts as an intermediary between donors and DGRs that do undertake such work.



This consultation is in response to the Government's announcement in December 2024 that it would improve the support provided to charities through giving funds by:

- aligning and increasing the legislatively required minimum annual distribution rate for public and private funds to distribute to certain DGRs, and
- allowing funds to smooth their minimum annual distributions over three years.

The consultation paper seeks feedback on a suitable value for the minimum annual distribution rate and the principles that will apply to distribution smoothing. Comments close 1 August 2025.

Part IVA application to certain early stage innovation company investment arrangements

The ATO has released Taxation Determination TD 2025/3, which provides the Commissioner's view that the general anti-avoidance provisions (Part IVA of the *Income Tax Assessment Act 1936)* can apply to early stage innovation company schemes as described in Taxpayer Alert TA 2024/1.

Taxpayer Alert TA 2024/1 describes and sets out concerns with arrangements which appear designed to artificially meet the conditions for claiming the maximum tax offset, allowing individuals to benefit with minimal (if any) risk on their investment. Entities promote, orchestrate, and finance these schemes primarily for the individuals to obtain the tax offset, with the refunded offset shared with those entities.

The Determination applies both before and after its date of issue (18 June 2025).

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