***Message from Dean***

On behalf of the staff and I, we wish all clients and friends a very Merry Christmas and a happy and festive New Year. With the year drawing to a close it's time to reflect on 2025, being the the start of our 25th year of trading. It's hard to believe where that time has gone and I am very fortunate to have had many of our clients now for that entire time.

With the Christmas closure approaching, I would like to advise of a number of staff changes.

Firstly, I would like to welcome Jo, our tax manager, as an associate to the practice. Jo has many years of superannuation and taxation experience and is a valuable member of the team. Many of you would have already had interactions with Jo over the past few years and it is great to welcome her as an associate.

Secondly, with Andrew "Flash" Gordon looking to retire in the next 6 months, we welcome Harry Treloar to the Minlaton office. Harry has moved to the Minlaton district with his local partner and will be taking on more of Flash's work in the New Year.

Finally, Peter Whitehead, our Audit Manager, is retiring at Christmas after 11 years with the firm. Peter and I go back way, before the past 11 years, as he was my first boss in the profession back in 1990. Please join me in wishing Peter a happy retirement. With Peter's imminent retirement, Juan Matute will join the practice as Audit Manager in the New Year. Peter will be assisting Juan for a few weeks in January in order for a smooth transition.

Once again, we wish you a Merry Christmas and a Happy New Year!

***Newsletter Topics***

- *Super on Payday: Fundamental Changes for Employers*
- *Dual cab utes and FBT*
- *New ATO Data-Matching Programs*
- *Employees incorrectly treated as independent contractors*
- *Correctly dealing with rental property repairs*

## Super on Payday: Fundamental Changes for Employers

If you run a business, you already know the juggling act that comes with managing the payroll process - paying staff on time, managing cash flow, and staying compliant. From 1 July 2026, there's a major change coming that will reshape how you handle superannuation contributions for staff.

It's called Payday Super, and it became law on 4 November 2025. The new rules are designed to close Australia's $6.25 billion unpaid super gap and make sure employees - especially casual and part-time workers - get their retirement savings when they get paid.

**What's Changing?**

From 1 July 2026, you'll need to pay superannuation guarantee (SG) contributions at the same time as wages, rather than weeks or months later. Employers will have seven business days from payday to ensure contributions hit employees' super funds.

If payments are late, the Superannuation Guarantee Charge (SGC) will apply - that means paying the missed super plus an interest and administration penalty. Once SGC has been assessed, additional interest and penalties may apply if the SGC liability isn't paid in full.

Unlike the existing system, SGC amounts will normally be deductible to employers, although penalties for late payment of SGC won't be deductible.

On top of this, the ATO will retire the Small Business Superannuation Clearing House (SBSCH) platform from 1 July 2026 for all users and alternative options should be sought.

The change isn't just about compliance - it's about impact. The Government estimates the earlier payments could boost an average worker's retirement balance by around $7,700.

**How to Get Ready - Practical Steps to Take Now**

You've got time before the rules kick in, but the smart move is to prepare early. Here's how:

1. Check your payroll software. Most modern systems (like Xero, MYOB, or QuickBooks) already support payday-aligned super. Confirm your setup and check if any updates or integrations are needed.

2. Map your pay cycles. Note how often you pay staff (weekly, fortnightly, monthly) and calculate the seven-day payment window for each.

3. Brief your team. Make sure whoever manages payroll understands the changes. The ATO has free online resources and webinars to help.

4. Plan your cash flow. Consider shifting from quarterly to more regular payments now to get used to the timing. Smaller, frequent super payments can reduce cash flow shocks.

5. Monitor and review. Set up a monthly check to ensure super contributions have cleared correctly. Keep an eye on ATO updates as final guidance is released.

If you outsource payroll, contact your provider soon — many are already updating systems for Payday Super and can help you make a seamless switch.

**The Bottom Line**

Payday Super isn't just a compliance change — it's an opportunity to make your payroll more efficient, your staff happier, and your business more compliant with less effort. With the laws now passed and just over 6 months to prepare, it's time to get ahead of the curve.

If you'd like help reviewing your payroll setup or planning the transition, get in touch with our team - we can help you make sure your business is ready to go when Payday Super commences.

## Dual cab utes and FBT

The ATO wishes to dispel the 'common myth' that dual cab utes are automatically exempt from fringe benefits tax ('FBT'). If an employer provides dual cab utes to staff to complete their duties and the vehicle is available for personal use, then the benefit may be subject to FBT.

By understanding how their employees use their dual cab utes, employers can work out if FBT applies and meet their FBT obligations.

To qualify for an exemption, the dual cab ute must be an 'eligible vehicle'. That is, it must be designed to carry a load of one tonne or more, or more than eight passengers (including the driver), or a load under one tonne and not primarily designed for carrying passengers.

The dual cab ute must also only be used for limited private use (i.e., minor, infrequent and irregular), such as the occasional trip to the tip or helping a mate move house.

If an employee's personal use of the dual cab ute does not meet **both** of the above exemption conditions, then the employer will be liable for FBT.

## New ATO Data-Matching Programs

The ATO acquires and uses data for pre-filling, detecting dishonest or fraudulent behaviour, and identifying areas where it can educate taxpayers to help them understand their tax obligations.

When data does not match, the ATO may contact tax agents and their clients to find out why.

**Rental Income Data-Matching**

Over the coming months, the ATO will be sending letters where its data indicates:

- tax returns including rental income may need to be lodged for specific years; or
- rental income should be included in previously lodged tax returns.

*Editor: Please contact us if you receive such a letter.*

**Offshore Merchant Data-Matching Program**

The ATO will acquire merchant data from the big four Australian banks (ANZ, Commonwealth Bank, National Australia Bank and Westpac) for the 2025 to 2027 income years.

The ATO estimates that records relating to approximately 9,000 offshore merchants will be obtained each financial year.

## Employees incorrectly treated as independent contractors

The ATO is warning businesses that if they incorrectly treat an employee as an independent contractor, then they risk receiving penalties and charges, including:

- **PAYG withholding penalty** for failing to deduct tax from worker payments and send it to the ATO;
- **Super guarantee charge** ('SGC'), which is more than the super that would have been paid if the worker was classified correctly. SGC consists of a super guarantee shortfall amount, nominal interest, and an administration fee; and
- **Additional SG penalties**, including a penalty amount of up to 200% of the SGC.

'Sham contracting' may also contravene the *Fair Work Act 2009*. Courts can impose penalties against a business or person that incorrectly informs an employee that they are an independent contractor.

## Correctly dealing with rental property repairs

Taxpayers who have had work done on their rental property should ensure the expense is categorised correctly to avoid errors when completing their tax return.

A deduction for 'repairs and maintenance' expenses can be claimed for work done to remedy, or prevent defects, damage or deterioration from using the property to earn income. These expenses can be claimed in the year they were incurred.

However, some 'capital' expenditure may not be immediately deductible, such as for 'initial repairs', 'capital works', 'improvements' and depreciating assets.

**Initial repairs** include fixing any pre-existing damage or deterioration that existed at the time of purchasing the property, even if the damage or deterioration was unknown to the taxpayer at the time of purchase.

Initial repairs are treated as part of the acquisition cost and included in the cost base of the property for CGT purposes, unless they are capital works or depreciating assets.

**Capital works** are structural improvements, alterations and extensions to the property, and can generally be claimed at 2.5% over 40 years.

Capital works deductions can only be claimed **after** the work has been completed, regardless of when the taxpayer pays the deposit and instalments.

**Improvements or renovations** that are structural are also capital works. Work that goes beyond remedying defects, damage or deterioration that improves the function of the property is regarded as an improvement.

**Repairs to an 'entirety'** are capital and cannot be claimed as repairs. Repairs to an entirety generally involve the replacement or reconstruction of something separately identifiable as a capital item.

**Depreciating assets** are treated as follows:

- Deductions for 'new' assets must generally be claimed over time according to their effective life.
- Second-hand depreciating assets generally cannot be deducted.

***Wishing you a Merry Christmas and a safe and Happy New Year!***
*Our Frewville & Minlaton offices will be closed for the Christmas holiday period*
*Minlaton closed from:* ***Friday, 19 December 2025 at 5:00pm***
*Frewville closed from:* ***Tuesday, 23 December 2025 at 5:00pm***
*Frewville re-opening:* ***Monday, 5 January 2026 at 8:30am***
*Minlaton re-opening:* ***Tuesday, 13 January 2026 at 8:30am***