Withers Advisory
CHARTERED ACCOUNTANTS
Grow with us

Welcome to our May 2026 Newsletter. Should you have any queries, please do not hesitate to contact us.

In this edition:

- ***$20,000 instant asset write-off extended***
- ***Contractors omitting income***
- ***Check GST credit claims before lodging BASs***
- ***Know when a new logbook is required***
- ***Hybrid vehicles and FBT changes***
- ***ATO responds to high fuel costs***
- ***Tribunal decision regarding home office and car expenses overturned***

$20,000 instant asset write-off extended

The Government recently passed legislation to extend the $20,000 instant asset write-off for small businesses by 12 months to 30 June 2026.

Taxpayers should note that if their business has an aggregated annual turnover of less than $10 million, they may be able to use the instant asset write-off ('IAWO') to immediately deduct the business portion of the cost of eligible assets which cost less than $20,000.

Eligible assets must basically have been first used (or installed ready for use) between 1 July 2025 and 30 June 2026. The $20,000 limit applies on a per asset basis, so taxpayers can instantly write-off **multiple** assets.

The IAWO can be used for both new and second-hand assets (but some exclusions and limits apply).

Please contact our office if you require assistance regarding the above, including in relation to also claiming deductions for improvement costs for certain assets.

Contractors omitting income

Through data matching, the ATO is seeing some contractors incorrectly reporting or omitting contractor income. Contractors need to report all their income in their tax return, including payments made by businesses for their contracting work.

Note that, as part of the taxable payments reporting system ('TPRS'), certain businesses must lodge a *'Taxable payments annual report'* ('TPAR') to report payments made to contractors for providing the following services:

- building and construction;
- courier;
- cleaning;
- information technology;
- road freight; and
- security, investigation or surveillance.

For taxpayers who work as a contractor and provide any of these services, the business they contract to should be reporting those payments to the ATO on their TPAR. Contractors obviously then need to include this income on their tax return.

If the ATO suspects a contractor may have omitted TPRS income on their tax return, it may contact them to request they amend their tax return. If the contractor does not take action, the ATO may conduct a review and audit of their business, and penalties and interest may apply.

Check GST credit claims before lodging BASs

Taxpayers who are registered for GST can claim GST credits (or 'input tax credits') for the GST included in the price of goods and services they buy for their business.

However, if they buy something for both business and private use, they need to **apportion** their GST credit to only claim the business use.

For example, if they buy a car for ride-sourcing (e.g., to use as an Uber driver), they should work out the percentage they use it for business purposes and only claim a GST credit on that amount.

Please contact our office if you require assistance with any of this, including potentially using 'annual private apportionment' to account for the private portion of your business purchases.

When completing their next BAS, the ATO is asking taxpayers to remember that they cannot claim GST credits for purchases:

- where they do not have a tax invoice;
- that were cancelled or reversed; or
- that do not have GST in the price (such as bank fees).

Taxpayers that have nothing to report still need to lodge a 'nil' BAS by the due date.

Know when a new logbook is required

Keeping a car logbook may be required to accurately calculate the business-use percentage of vehicle expenses (e.g., fuel, registration, insurance and depreciation) for tax deductions.

Taxpayers can keep the same logbook for their car for five years, but there are circumstances where they may need a new one during that period.

Relying on a logbook that no longer represents a client's work-related travel may result in them claiming more, or less, than they are entitled to.

A new logbook may be required when a taxpayer:

- moves to a new house or workplace — updating their residential or work address may then be necessary;
- has changes to their pattern of use of the car for work purposes — checking that they are still doing the same role and routine may then be necessary.

Taxpayers using the logbook method for two or more cars need to keep a logbook for each car and make sure they cover the same period.

Clients who purchase a new car during the income year and want to continue relying on their previous car's logbook must make a nomination in writing. The nomination must be made before they lodge their tax return and state:

- they are replacing their original car with a new car; and
- the date that nomination takes effect.

Taxpayers should remember that, if their **employer** provides them with a car or they **salary sacrifice** a car using a novated lease, they are not entitled to claim work-related car expenses using the logbook **or** cents per kilometre method, as they do not own the car.

When claiming car expenses using the logbook method, taxpayers also need to keep various types of other records, including (among other things) odometer records for the start and end of the period they own the car, proof of purchase price, decline in value calculations, and fuel and oil receipts (or records of a reasonable estimate of these expenses based on odometer readings).

Please contact our office if you require assistance regarding the above, including in relation to claiming car expenses using the logbook method or determining if a new logbook is required.

Hybrid vehicles and FBT changes

Employers that provide plug-in hybrid electric vehicles ('PHEVs') to employees (or associates) for personal use should remember the following.

Home-charging expenses — new shortcut method

The ATO has updated its guidelines to include a new method to make it easier to calculate PHEV electricity costs when a vehicle is charged at an employee's home.

To use the shortcut home-charging rate, employers and other individual taxpayers must meet the relevant eligibility requirements (or they can still choose to calculate the actual electricity costs instead of using this optional method).

Eligibility for FBT exemption

Since 1 April 2025, PHEVs are not considered a zero or low emissions vehicle under FBT law and no longer qualify as exempt. Employers that provide PHEVs to their employees for private use, or that have PHEVs that are available for private use, may now have FBT obligations for the 2025/26 FBT year (subject to transitional arrangements).

ATO responds to high fuel costs

The ATO recognises that high fuel costs are affecting some businesses, and it will provide targeted support to eligible businesses that are unable to meet their payment obligations for three months, from 1 April 2026 to 30 June 2026.

In particular:

- the ATO will provide streamlined access to more flexible payment plan arrangements, including longer payment terms, no upfront payment, and access to general interest charge ('GIC') remission where payment and lodgment conditions are met;
- high fuel costs will be a relevant factor in consideration of additional requests for remission of GIC and other penalties; and
- the ATO will provide support to vary pay as you go ('PAYG') instalments where there has been a reduction in taxable income.

Businesses can assess their eligibility and notify the ATO of their interest in accessing a tailored payment plan and intention to vary PAYG instalments through the ATO's online services. The ATO will then contact these businesses or their representatives with more information and next steps.

Please contact our office if you require assistance regarding the above.

Tribunal decision regarding home office and car expenses overturned

The Full Federal Court recently allowed the ATO's appeal against an Administrative Review Tribunal decision that a taxpayer was entitled to claim deductions for home office and car expenses.

The taxpayer worked full-time for the ABC as a sports presenter and producer. During the 2021 income year, because of COVID-19 pandemic restrictions, the taxpayer undertook one of his work roles from a second bedroom in his home apartment which he was renting with his wife. He undertook most of another work role from the ABC's Southbank Studios in Melbourne.

The Tribunal had allowed the taxpayer's deductions for **occupation expenses** (being a proportion of the rent for his apartment) and for **car expenses** (incurred in driving between his home and the ABC studio to perform his two roles) in full.

However, the Full Federal Court subsequently overturned this decision, noting (in relation to the claim for the **occupation expenses**) that the 'essential character' of the rent paid was to secure domestic accommodation, and the prevailing conditions requiring the taxpayer to work from home did **not** alter this.

Also, in relation to the **car expense** claims, the Court considered the taxpayer's travel between his home and the ABC studio was 'to work' rather than 'on work', and was therefore not deductible.