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The Bottom Line

- Business -

What's new?

Small business instant asset write-off

The impasse over the small business instant asset write-off (**IAWO**) was resolved before the 2025 Federal election was called.

As previously advised in TaxWise, following the enactment of enabling legislation to temporarily increase the IAWO threshold for 2023–24 to $20,000, the Government proposed extending the $20,000 threshold for 12 months to 30 June 2025. After some delays in Parliament, the enabling legislation to give effect to this was enacted just before the election.

This means the IAWO threshold for 2024–25 is $20,000 and allows small businesses (aggregated annual turnover of less than $10 million) to immediately write off the full cost of an eligible depreciating asset that costs less than $20,000 and is acquired and first used, or installed ready for use, by 30 June 2025.

The Government has proposed that the $20,000 IAWO will again be extended for a further 12 months to 30 June 2026. Without this legislative change, the IAWO threshold will revert to $1,000 for 2025–26.

Election proposals

Given the outcome of the Federal election on Saturday, 3 May 2025, below is a brief summary of the key tax measures announced by the Government during the election campaign (further information can be found on the ALP's website). These are non-business tax measures.

20% reduction on all student loans

The Government will reduce all student loans (that exist on 1 June 2025) by 20% by 1 June 2025. This includes ELP, VET Student Loans, Australian Apprenticeship Support Loans and other income-contingent student support loan accounts.

Standard tax deduction

From 1 July 2026, individuals will be able to claim an instant tax deduction for work-related expenses totalling less than $1,000 without the need for receipts. To be eligible for the instant tax deduction, individuals will have to earn labour income (not only business or investment income).

Personal income tax cuts

The income tax cuts announced as part of the Federal Budget 2025–26 are now law.

From 1 July 2026, the 16% tax rate (for taxable income between $18,200 and $45,000) will be reduced to 15%. The rate will then be reduced to 14% from 1 July 2027.

From the ATO

Tips for small business

If you operate a small business, you may wear many hats. You might be the business strategist, social media manager, human resources, IT support as well as the bookkeeper.

If you're doing your own bookkeeping and managing your business, it is worth being organised from the start as it will help you stay on top of your tax obligations and make financial decisions based on your business's circumstances.

The ATO has some tips that can make your tax life easier:

- Keep an eye on upcoming expenses, and regularly update your books and reconcile your accounts.
- Set aside the GST you collect. For example, you could transfer it into another bank account within the business to keep it separate from your cash flow. This way, the money will be there when it is time to lodge and pay.
- If you have employees, you can also set your pay as you go (**PAYG**) withholding and superannuation aside, so you'll have the funds available when payments are due.
- Avoid the last-minute rush and schedule time in your calendar to prepare your business activity statement (**BAS**).
- Lodge and pay your BAS on time. This isn't just about compliance, it is a chance to understand your business's financial position.

Small business financial benchmarks

The ATO has released a new set of updated financial benchmarks to help small business owners take the pulse of their business.

According to the ATO, the benchmarks 'act as a health check, allowing small business owners to compare their performance including average expenses against other businesses in the same industry.' The benchmarks are updated annually.

The benchmarks cover 100 industries and more than 2 million small businesses around the country. The industries include:

- accommodation and food;
- building and construction trade services;
- education, training, recreation and support services;
- health care and personal services;
- manufacturing;
- other services;
- professional, scientific and technical services;
- retail trade;
- transport, postal and warehousing.

The benchmarks are accessible on the ATO website or via the ATO app business performance check tool. Small business owners who need help understanding how to improve their business performance should consult a business adviser or registered tax professional.

Example

This example shows a small business using the ATO benchmarks to compare its performance to similar businesses in the same industry.

Anna operates a pizza shop as a sole trader. Anna wants to know how her business compares to her competitors and how she can improve her business.

Anna searches online for 'pizza shop benchmarks' and finds the ATO small business benchmarks. She follows the instructions to download the ATO app. Then, she goes to the business performance check tool.

Anna enters her details into the business performance check tool. She learns the key ratio of cost of sales to turnover for her shop is 44%.

While this is within the range for businesses in her industry with a turnover of $550,300, Anna sees that the range for cost of sales starts at 37%. She realises some of her competitors have a lower cost of sales.

Anna looked at other suppliers in the market and got a better deal to reduce her business's expenses and improve profits.

These are areas where the ATO is concerned that some small businesses are getting it wrong, being opportunistic or deliberate on an ongoing basis.

Small business – areas of concern

Current areas of concern to the ATO are:

- contractors omitting income – with a focus on data matching to ensure all income is reported (see below);
- quarterly to monthly BAS reporting for GST purposes – to build good business habits and help improve cash flow management (see below);
- small business boost measures – encouraging self-amendment to correct errors and omissions.

The ATO will also continue to focus on non-commercial business losses, small business CGT concessions, business income is not personal income and GST registration and income of taxi, limousine and ride-sourcing services.

Contractors omitting income

As part of the taxable payments reporting system (**TPRS**), 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 (**IT**);
- road freight;
- security, investigation or surveillance.

If you work as a contractor and provide any of these services, the business you contract to will report those payments to the ATO on their TPAR. You need to include this income on your tax return.

Through data matching, the ATO is seeing some contractors incorrectly reporting or omitting contractor income. You need to report all your income, including payments made by businesses for your contracting work. If the ATO suspects you may have omitted TPRS income on your tax return, it may:

- contact you or your tax adviser via email to request that you amend your tax return;
- contact you or your tax adviser via phone call to better understand your circumstances and potentially request that you amend your tax return.

If you do not take action, the ATO may conduct a review and audit of your business. Penalties and interest may apply.

How to get it right

If you are a contractor providing TPRS services, remember to include all your income on your tax return. To help you get it right, the ATO includes information reported to it about contractor payments to you in its:

- pre-filling service – this allows you to easily include these payments in your tax return if you are a sole trader;
- reported transactions service in the ATO's online services – these records give you transparency about the data that has been provided to the ATO about your business transactions.

Example: Mike the carpenter

Mike is a carpenter who operates his business as a sole trader. Mike sub-contracts to multiple builders and completes his tax return himself.

As he provides building and construction services, the builders must report the payments they made to him during the 2023–24 income year. They must do this by lodging a taxable payment annual report (**TPAR**) with the ATO by 28 August 2024.

Mike does not use the pre-filled TPAR amounts for his tax return. This results in Mike not including all his contractor payments in his reported income. On review, the error was identified, and his 2024 assessment was amended to include the missing income. Mike was required to repay the tax shortfall and may be subject to penalties and interest.

Next year, when Mike is completing his tax return, he can review and accept the pre-filled TPAR amounts. These will auto-fill into his tax return, making it easy to ensure he has included all contractor payments in his income.

CGT issues

Certain capital losses, disposals and claims for the small business CGT concessions will attract the ATO's attention.

Capital losses

Situations that attract the ATO's attention include:

- losses that appear to be excessive, incorrect or misclassified;

- changes to the company in the year the loss occurred and whether there was a change in either the ownership of the company (so the continuity of ownership test may be failed) or the nature of the business (so the business continuity test may be failed);
- capital losses from non-arm's length transactions, where the market value substitution rules are not considered or applied;
- capital losses artificially generated to offset capital gains, including non-arm's length transactions used to manipulate cost base and capital losses realised solely to offset capital gains through wash sales;
- entities that incorrectly apply capital losses;
- entities that reclassify capital losses as revenue losses to offset taxable income;
- mismatches between the tax return and the CGT schedule.

CGT – disposal

Situations that attract the ATO's attention include:

- when a reported capital gain is less than what it should be, based on the ATO's estimates using external data sources;
- entities that fail to meet their CGT schedule lodgment obligations;
- companies (other than life insurance companies) claiming a CGT discount;
- beneficiaries that fail to gross up the discounted share of a capital gain distributed by a trust;
- entities that received cash (or other ineligible consideration) through a partial scrip for scrip rollover;
- entities that disposed of high-value assets, but returned small capital gains or claimed unsubstantiated capital losses;
- entities that incorrectly apply the CGT rollover provisions.

Small business CGT concessions

Situations that attract the ATO's attention include:

- entities that fail the small business entity test (for example, fail to carry on a business or have an aggregated turnover above the $2 million threshold – not $10 million, which is the threshold for the general small business concessions);
- entities that fail the maximum net asset value test – net assets of the entity, connected entities and affiliates exceed $6 million;
- where the asset disposed is not an 'active asset';
- entities that do not meet the additional conditions where the CGT asset is a share or an interest in a trust;
- entities that fail to correctly identify significant individuals and CGT concession stakeholders;
- entities that restructure for the primary purpose of enabling access to the small business CGT concessions, which might not otherwise be available;
- entities that claim the small business rollover, but do not report a capital gain from CGT event J5 at the end of the replacement asset period when they fail to acquire a replacement active asset;
- entities that do not meet the additional conditions applicable to the type of small business CGT concession claimed, such as exceeding the small business CGT retirement exemption lifetime limit of $500,000;
- entities that fail to correctly report or apply the 15-year exemption.

Moving from quarterly to monthly reporting

From March 2025, small businesses that have a history of failing to comply will start to receive communication from the ATO notifying them of their new monthly reporting cycle, effective from 1 April 2025. These businesses have not responded to previous communications from the ATO and demonstrate a poor compliance history, for example:

- paying late or not paying the amount due;
- not lodging or lodging late;
- reporting their tax obligations incorrectly.

Small businesses that disagree with the ATO's decision and do not consider they have a history of failing to comply can lodge an objection for this reviewable GST decision within the time limit.

After 12 months, a small business can ask the ATO to change its reporting cycle back to quarterly. The ATO will do this only if satisfied that the business is complying with its obligations.

Example: ATO's determination monthly reporting

Jack has been running a small business for more than five years, and his turnover ranges from $350,000 to $550,000 per year. He uses a digital accounting software package for BAS preparation. His tax agent has set it up for quarterly GST reporting.

With the demands of running a busy business, he has developed a pattern of lodging and paying late. Over the past 18 months, Jack has fallen behind and stopped engaging with the ATO. He has not lodged the past two BAS, the prior four BAS were lodged late, his last business income tax return has not been lodged and he has an overdue tax debt. He has set up payment plans to pay the overdue tax debt, but has defaulted on these plans by not paying the amount due by the due date.

Jack receives a letter from the ATO advising him that he will now have to report and pay GST monthly. He understands from the email that this decision is based on his history of failing to comply with his tax obligations.

Jack decides to bring his lodgments up to date and enters into a payment plan for the outstanding debt.

This marks a turning point in his business. Jack finds it easier to stay on track with accurate, up-to-date record-keeping, which helps him make better business decisions. After the 12-month period, Jack saw the benefits of monthly reporting and decided to keep his reporting cycle as monthly.

Voluntarily moving to monthly GST reporting

Many small businesses have already moved to monthly GST reporting voluntarily. This has helped them improve their cash flow and keep their record-keeping up to date.

Generally, small businesses that report their GST monthly find that:

- monthly reporting aligns better with other natural business processes;
- cash flow management improves, which helps them make more informed business decisions;
- making smaller, more manageable payments helps them meet their tax obligations.

Tips to help nail your record-keeping

Good record-keeping helps you manage your business and cash flow, and ensures you get the right outcome with your business's tax return.

The ATO's top tips for record-keeping are:

- Always keep detailed records of payments to contractors providing taxable payment reporting system (**TPRS**) services so it is easier to prepare and lodge the taxable payments annual report (**TPAR**) by 28 August.
- Make sure vehicle logbook records are no more than five years old. If a logbook will be older than this when you plan to lodge your business's return, you need to start a new logbook.
- Check if government grants or payments made to your business are taxable and need to be reported as business income when your business lodges its return.
- Record the amounts withheld from any payments made to your business and keep written evidence from the payer, including their details and ABN. Payments may be withheld because your business did not quote an ABN, subcontracting work has been provided through a labour hire firm or your business has a voluntary agreement with the payer to withhold tax amounts.

Digital record-keeping

There are advantages in keeping business records digitally. If, for example, your business uses a commercially-available software package, it may help the business:

- keep track of business income, expenses and assets as well as calculate depreciation;
- streamline its accounting practices and save time so you can focus on the business;
- automatically calculate wages, tax, super and other amounts for activity statement and other purposes;
- meet Single Touch Payroll (**STP**) reporting obligations;
- back up records using cloud storage to keep records safe from flood, fire or theft.

If your business uses cloud storage, either through accounting software or a separate service provider, for example, Google Drive, Microsoft OneDrive or Dropbox, you should ensure:

- the record storage meets the record-keeping requirements;
- you download a complete copy of any records stored in the cloud before you change software provider and lose access to them.

eInvoicing storage

Regardless of your business's eInvoicing software or system, it is responsible for determining the best option for storing business transaction data. You should:

- ensure that the process meets the record-keeping requirements;
- discuss the options with the software provider;
- talk to your business adviser, if necessary.

eInvoicing for businesses

To start using eInvoicing, your business needs to register on the Peppol eInvoicing network.

Different options to register on the Peppol network include through either:

- an existing eInvoicing Ready software;
- an eInvoicing service provider;
- a free or low cost online solution.

Choose an option that best fits your business's needs and plans. To get ready, you can:

- check the eInvoicing Ready product register to find out if your business's existing software is ready for eInvoicing;
- check with your software provider to find out whether your business's existing software is or will be ready for eInvoicing;
- talk to different eInvoicing service providers to find out how they can help your business become ready for eInvoicing.

The Peppol eInvoicing standard can be used to issue an invoice that complies with the requirements of a tax invoice.

For record-keeping purposes, an eInvoice is no different to other digital records. Make sure you follow the digital record-keeping rules for business.

The ATO and the New Zealand Government have developed an eInvoicing guide to assist large businesses and government agencies starting an eInvoicing implementation.

Plan for a smooth transition

To successfully transition to eInvoicing, review your business's processes and requirements to understand its current state of invoicing. This includes:

- how many invoices the business sends and receives, and how often;
- how the business sends, receives and processes invoices and if it uses purchase orders;
- who the business's top suppliers and buyers are (by number of invoices);
- what changes are required in the current software and scanning tools that the business uses to manage accounts payable and receivable.

To plan for a smooth transition to eInvoicing:

- understand and manage changes in business processes within your business;
- communicate with trading partners about upcoming changes;
- make sure customer records are up to date, including capturing their ABN;
- encourage trading partners to get ready and start using eInvoicing.

Onboard trading partners

To successfully onboard your business' trading partners, you should:

- try eInvoicing with a small number of trading partners;
- progressively onboard more trading partners, focusing on those with the most benefit to your organisation, for example, high-volume suppliers, or those with a high error rate;
- transition as many trade partners as possible to the eInvoicing channel to maximise the benefits to your business.

FBT issues

FBT return time

If your business provided fringe benefits to employees or their associates between 1 April 2024 and 31 March 2025, it is now time to lodge the 2025 fringe benefits tax (**FBT**) return and pay any outstanding FBT. An associate includes a spouse, child, parent, sibling and most other relatives (but not cousins).

You should note the following dates:

- The 2024–25 FBT year ended on 31 March 2025 (the 2025–26 FBT year started on 1 April 2025).
- Your business will need to lodge the FBT return and pay any outstanding liability by 21 May 2025 to avoid interest and penalties.
- If your business lodges electronically via a tax practitioner, the due date to lodge and pay is 25 June 2025.
- If it is the first time your business is using a tax practitioner to lodge an FBT return, you will need to contact them before 21 May 2025. The agent needs to add your business to their FBT client list by this date to be eligible for the extended June lodgment and payment date.

If your business does not need to lodge an FBT return but it is registered for FBT, you should still let the ATO know by the date the return would have been due. This can be done by completing a *Notice of non-lodgment – Fringe benefits tax* form.

While it is important to lodge and pay on time, there may be circumstances where your business cannot. If this is the case, you should contact the ATO or speak with your tax adviser as early as possible.

Don’t forget to keep all records relating to the fringe benefits that have been provided, including how the taxable value of the benefits was calculated.

Party-planning for employees

Is your business planning a party for employees, or thinking in advance about an end-of-financial-year celebration? If so, make sure you consider the FBT implications as the party or celebrations may constitute entertainment-related fringe benefits.

This will depend on:

- the amount spent on each employee;
- when and where the party is held;
- who attends – is it just employees, or are partners, clients or suppliers also invited; and
- the value and type of gifts provided.

Remember to keep all records relating to any fringe benefits provided, including how the taxable value of benefits is calculated.

FBT thresholds and rates for 2025-26

The FBT rate and the gross-up rates are the same for the 2025–26 FBT year as for 2024–25.

The FBT rate is 47%. The gross-up rates are:

- 2.0802 where the benefit provider is entitled to a GST credit (type 1 gross-up rate); and
- 1.8868 where the benefit provider is not entitled to a GST credit (type 2 gross-up rate).

Some rates that have changed include:

- the benchmark interest rate (e.g. for loan fringe benefits) — 8.62% for 2025–26 (down from 8.77% for 2024–25);
- the record keeping exemption (also relevant for eligibility to use the base rate method to calculate FBT) – $10,664 for 2025–26 (up from $10,334 for 2024–25);

The motor vehicle (other than a car) cents per kilometre rates have also increased for 2025–26. They are:

- 0–2500cc – 69 cents (up from 67 cents for 2024–25);
- over 250cc – 80 cents (up from 77 cents for 2024–25);
- motorcycles – 20 cents (up from 19 cents for 2024–25).

The weekly amounts the ATO considers to be reasonable food and drink amounts for a living-away-from-home allowance (**LAFHA**) paid to employees living away from home, whether within Australia or overseas, are set out in an ATO Taxation Determination (TD 2025/2).

The weekly amounts for locations in Australia are set out in the table below.

Adults[1]	Children	Weekly amount $
1	-	341
2	-	512
3	-	683
1	1	427
2	1	598
2	2	684
2	3	770
3	1	769
3	2	855
4	-	854
Each additional adult	-	171
-	Each additional child	86

[1] An adult for these purposes is someone who turned 12 before the start of the FBT year.

FBT record keeping and plug-in hybrid exemption changes

The ATO has reminded employers of some changes that might impact their FBT obligations.

Alternative record-keeping changes

Your business can now use existing records instead of travel diaries and declarations for some fringe benefits. You may prefer to continue using the current approved forms or have the choice of using a combination of both methods for each employee and each benefit.

If using existing corporate records, your business needs to meet the minimum required information at the time of lodging the FBT return.

Keeping the right records ensures your business can correctly calculate the taxable value of the benefit and support its FBT position.

Plug-in hybrid electric vehicle changes

The FBT exemption for plug-in hybrid electric vehicles (**PHEVs**) ended on 31 March 2025, so 2024–25 may be the last year that your business can claim the exemption.

Your business can continue to apply the exemption if:

- that PHEV was used, or available for use, before 1 April 2025 (and that use was exempt); and
- it has a financially binding commitment to continue providing private use of the vehicle on and after 1 April 2025.

Key tax dates

Date	Obligation
21 May 2025	April 2025 monthly BAS due 2024–25 FBT return due
28 May 2025	March 2025 SG statement due
21 June	May 2025 monthly BAS due
30 June 2025	End of 2024-25 financial year
1 July 2025	Start of 2025-26 financial year
21 July 2025	June 2025 monthly BAS due
28 July 2025	June 2025 quarterly BAS due
	Pay June 2025 quarterly PAYG instalment
14 Aug 2025	PAYG withholding annual report due if not reporting through STP
21 Aug 2025	July monthly BAS due
28 Aug 2025	June quarter SG statement due Taxable payments annual report due

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