



MOORE

TAX AND BUSINESS ADVISORY

Year End Tax Planning

Last updated: June 2026



Changes to be aware of and issues to consider in the lead up to year end are contained within this guide.

Personal services income and alienation arrangements

With the release of PCG 2025/5, the ATO has reinforced its concern with the alienation of personal services income through personal services entities, including arrangements that retain profits, split income with associates or divert PSI to lower taxed entities. The ATO wants to see the economic benefit of PSI flowing to, and being taxed in the hands of, the individual who performed the services.

For the year ending 30 June 2026, the ATO is expecting taxpayers to proactively review PSI characterisation, re-evaluate PSB status, and ensure that remuneration, distributions and retained earnings are commercially supportable and well-documented. Taxpayers who genuinely move their arrangements toward a low-risk profile by 30 June 2027, including addressing prior-year issues where necessary, are less likely to face Part IVA compliance action.

Refer to a recent [Moore Australia article here](#).

WARNING - ASSET PROTECTION AND DIRECTORS

The ATO continues to focus on collection of outstanding tax debts and it would be prudent to check your governance processes to ensure debts are being paid on a timely basis. There has been a significant rise in Director Penalty Notices (DPNs) and it would be prudent to consider any directorships you hold to ensure your personal assets are not at risk.

Individuals

Tax rates

The marginal tax rates for Australian resident individuals for the 2026 income year are as follows:

| Tax Rate | Taxable income |
|----------|-----------------------|
| 0% | 0 - \$18,200 |
| 16% | \$18,201 - \$45,000 |
| 30% | \$45,001 - \$135,000 |
| 37% | \$135,001 - \$190,000 |
| 45% | \$190,001 and over |

NOTE – TAX RATES FROM 1 JULY 2026

As announced in the 2025 Federal Budget, the 16% tax rate will drop to:

- 15% during the 2026-27 income year.
- 14% during the 2027-28 income year.

Superannuation thresholds

For the 2025-26 financial year, the general concessional contributions cap is \$30,000 for all individuals regardless of age. If a member's total superannuation balance is less than \$500,000, they can access their unused CC caps on a rolling basis for 5 years.

For the 2025-26 financial year, the non-concessional contributions cap is \$120,000 (or \$360,000 by bringing forward your contributions over three years).

NOTE – SUPERANNUATION THRESHOLD CHANGES

From 1 July 2026, the concessional contribution superannuation cap is set to increase to \$32,500. Additionally, the non-concessional cap is set to increase to \$130,000 as well as the bring forward limit to \$390,000.

New Division 296

Division 296 is focused on identifying individuals with large super balances (over \$3 million) and ensuring accurate reporting of earnings and valuations, with liability determined at the individual level based on Total Superannuation Balance (TSB) across all funds. The regime operates on a tiered basis, effectively applying the additional tax only to the proportion of an individual's earnings attributable to TSB above the \$3 million threshold (and, under the refined design, differentiating outcomes for balances exceeding \$10 million), rather than taxing the entire superannuation balance.

For the year ending 30 June 2026, taxpayers and trustees should model TSB positions against the \$3 million and \$10 million thresholds, ensure asset values (especially illiquid SMSF assets) are supportable, and review fund structures, benefit withdrawals and contribution strategies ahead of the first assessment year of 30 June 2027. Practically, this means focusing on data readiness (accurate valuations and reporting), structural alignment (ensuring balances and earnings are correctly attributed across funds), and liquidity planning, given the tax is assessed to the individual but may be funded via a release from super.

Refer to a recent Moore Australia article here - [Division 296 Passed: New Super Tax Rules Above \\$3 Million](#)

TIP – BRING FORWARD YOUR DEDUCTIONS

Individuals should also consult with their financial advisors to check whether it is worthwhile making additional concessional contributions into their superannuation funds prior to 30 June 2026.

2026 Federal Budget Announcement

A **\$1,000 instant tax deduction** for work-related expenses is proposed from 1 July 2026. Taxpayers will be able to claim this amount without retaining receipts or substantiating expenses. However, where work-related expenses exceed \$1,000, the taxpayer must instead apply the ordinary deduction and substantiation rules. In other words, taxpayers must choose between claiming the flat \$1,000 deduction for simplicity or claiming their actual expenses in full with appropriate support.

A **\$250 Working Australians Tax Offset** (WATO) will automatically apply from 1 July 2027. It is intended to be a permanent measure available to all employees and sole traders.

A restriction of **negative gearing** to new residential builds is proposed from 1 July 2027. Existing properties held on 12 May 2026 are grandfathered and retain current treatment, while losses on newly acquired established properties will no longer be deductible against non-property income (e.g. salary), but instead will be quarantined and carried forward to offset future rental income or capital gains.

Replacing the 50% CGT discount for individuals, trusts and partnerships with **cost-base indexation** is being proposed from 1 July 2027. In addition, a **30% minimum tax rate** will apply to net capital gains. Importantly, the reforms will also bring pre-CGT assets into the CGT regime on a prospective basis, with only gains accruing from 1 July 2027 becoming taxable, while historical gains remain exempt. The reforms will therefore apply broadly to gains arising after this date, with transitional rules preserving the existing CGT discount for gains accrued before 1 July 2027.

Trusts

Trust Resolutions

Trustees of discretionary and family trusts must make valid distribution resolutions before 30 June to effectively distribute trust income to eligible beneficiaries. The resolution must be made in accordance with the Trust Deed. If the Trust has not made a valid distribution by 30 June 2026, the Trustee may be liable to pay tax on the Trust's taxable income at the highest marginal tax rate (subject to any default beneficiary clauses present in the Trust Deed).

Family Trust Distribution Tax

Recent ATO guidance on family trust distribution tax (FTDT) emphasises that FTDT is a strict integrity measure applying a 47% tax where a trust with a Family Trust Election (FTE) or Interposed Entity Election (IEE) distributes income or capital outside the defined family group, with no discretion for the Commissioner to waive the tax once triggered.

Trustees are expected to annually review FTEs and IEEs, confirm the specified individual and family group membership, test all proposed distributions before 30 June 2026 and have strong documentation including up-to-date beneficiary records to prevent inadvertent breaches.

Importantly, while FTDT itself cannot be remitted, the ATO has provided a limited administrative concession for past errors, allowing significant remission of general interest charges (up to 80%) where taxpayers make a voluntary disclosure and take corrective action before 31 December 2026.

Refer to a recent Moore Australia article here - [ATO Update: Family Trust Distribution Tax Changes | Moore Australia \(Sep 2025\)](#).

2026 Federal Budget Announcement

The 2026 Federal Budget proposes to introduce a **30% minimum tax on the taxable income of discretionary trusts**, to apply from 1 July 2028. Under the proposal, the minimum tax would be imposed at the trustee level, ensuring that income derived through a discretionary trust is taxed at no less than 30%, regardless of how it is distributed to beneficiaries. Beneficiaries would continue to include trust income in their own returns, with most (other than corporate beneficiaries) receiving non-refundable tax credits for tax already paid by the trustee. The measure represents a significant departure from the current "flow-through" treatment of trusts and is aimed at reducing income-splitting advantages and better aligning the taxation of trust income with that of wage and salary earners. **Please note, any legislation supporting this proposal is yet to be passed through Parliament.**

ATO RISK AREAS

s.100A - Beneficiary assessable in respect of certain trust income

Trustees should also consider impact of the ATO's guidance on s.100A of ITAA 1936. S100A is an anti-avoidance provision and gives the ATO powers to assess the Trustee of the trust at the highest marginal tax rate if the ATO considers the distribution part of a reimbursement arrangement and the "ordinary family and commercial dealings" exclusion does not apply. The finalised guidance issued by the ATO provides its views on when the ordinary family and commercial dealings exclusion may apply and include [TR 2022/4](#) as well as [PCG 2022/2](#).

Companies

Tax Rates

The tax rate for base rate entities (BREs) is now set at 25%. BREs are entities that have an aggregated turnover of less than \$50 million and derive less than 80% of their income from defined passive sources including but not limited to rental income, certain dividends, and interest income. The tax rate for all other companies is 30%.

Franking and Dividends

If you are planning on paying any dividends in your company prior to year-end, it is important to ensure that you have met the documentation/notification requirements. In addition, ensure your franking account is up to date as it is imperative that you have sufficient franking credits to avoid paying franking deficits tax at a later date.

Ensure the company has applied the correct franking rate – if the entity was a BRE in the 2025 income year, the franking rate should be 25% for dividends paid in the 2026 income year. For all other companies, the franking rate is 30%.

Review loans to Shareholders and Associates (Division 7A Loans)

The Government had previously announced its intention to introduce changes to the operation of Division 7A. However, at this stage, no draft legislation has been released.

Shareholder loans from companies need to be properly documented and put on a commercial footing in line with the Division 7A tax legislation. In addition to documenting such loans, it is important to ensure interest rates are correctly applied and the minimum repayments are being made to ensure no deemed dividends arise. The Australian Taxation Office (ATO) continues to undertake audits to ensure payments made by private companies are correctly accounted for and company loans are not used to distribute tax-free profits.

In addition to Division 7A loans, you should also review any unpaid present entitlements (UPEs) where trust distributions remain unpaid at the end of the year. We recommend speaking to one of our advisors who can guide you through the complexities of the Division 7A provisions.

2026 Federal Budget Announcement

The Budget also proposes a major restructuring of the R&D Tax Incentive from 1 July 2028, aimed at better targeting support toward genuine innovation activity while reducing overall program cost. Key changes include increasing offset rates for core R&D activities, while removing eligibility for supporting R&D activities, effectively narrowing the base of claimable expenditure. The reforms also expand access to refundable offsets (increasing the turnover threshold to \$50 million) but restrict refundability to earlier stage companies (generally within their first 10 years), alongside higher expenditure thresholds and caps. Overall, the package represents a shift toward simplifying the regime and focusing support on high impact, innovation driven R&D activity.

ATO RISK AREAS

Pending High Court decision in Bendel

A recent decision handed down by the Full Federal Court is significant as the Court ruled against the ATO. The ATO held the view (since 2009) that any UPEs owed by a Trust to a Company would be considered a loan for Division 7A purposes if they remain unpaid. The Court ruled in favour of the taxpayer and confirmed that UPEs are not loans for Division 7A purposes. Refer to our article on [Trust Distributions to Corporate Beneficiaries](#) for more information.

Special leave was granted on 12 June 2025, the High Court heard the matter on 14 October 2025, and a decision is expected in 2026. The High Court hearing involved further submissions, and the decision has been delayed, but it is imminent. An Interim Decision Impact Statement was published stating the following which may be relevant for year-end planning and decisions:

- The ATO will continue to administer this issue in line with their views until the appeals process has been completed.
- Their view is that if a UPE remains unpaid, it should be put under Division 7A compliant terms within a required timeframe which requires interest to be levied on the UPE and furthermore requires the UPE to be paid back over 7 years or 25 years (for secured loans) with interest and capital repayments each year.
- Even if Division 7A does not apply to UPEs, the ATO could consider applying s100A (another anti-avoidance provision explained below) if the entitlement remains unpaid and is not put under Division 7A compliant loan terms.
- If the UPE is put under compliant loan terms, the ATO would generally not seek to apply s100A if the funds are used for working capital purposes.

s.109U - Payments and loans through interposed entities relying on guarantees

[Taxation Determination TD 2025/6](#) and related alerts has signaled the Commissioner is focused on arrangements that use guarantees, interposed entities or back-to-back financing to indirectly deliver company funds to shareholders or their associates. The ATO has clarified that section 109U is broader than previously assumed, applying where a private company guarantees a loan to any entity (including banks or public companies) and, as part of that arrangement, another private company ultimately makes a loan or payment to a shareholder/associate, such that a deemed unfranked dividend may arise.

For the year ending 30 June 2026, taxpayers should identify all interposed entity and guarantee arrangements, trace the ultimate flow of funds to determine whether a shareholder or associate benefits, and assess whether Division 7A could apply notwithstanding the formal structure. Practically, this requires reviewing historic and current financing structures (including bank-funded arrangements), ensuring any loans are on complying Division 7A terms, documenting genuine commercial purpose, and avoiding arrangements involving artificial routing of funds or entities without sufficient distributable surplus.

s.109R - Some payments relating to loans not taken into account

The ATO's recent guidance on section 109R in [Taxation Determination TD 2025/5](#) confirms a strong integrity focus on arrangements where Division 7A loan repayments are effectively funded by the same private company, whether directly or indirectly. Section 109R operates to disregard repayments (including minimum yearly repayments) where the borrower obtains a similar or larger loan from the same company either before or after the repayment, meaning the original loan is treated as still outstanding and may give rise to a deemed unfranked dividend. Critically, the ATO has clarified that this rule extends to "notional loans" arising under the interposed entity provisions (ss 109T and 109W), so that repayments routed through trusts or other entities, or via back-to-back funding chains, can still be disregarded where the underlying funds originate from the same company.

For the year ending 30 June 2026, taxpayers should identify any repayments funded, directly or indirectly, by the private company, unwind or restructure circular financing arrangements, and ensure that loan repayments are made from genuinely external funds (or accumulated profits of the borrower), not from reborrowed amounts within the group.

Depreciation on Plant and Equipment

Small businesses with an aggregated turnover of less than \$10 million may be eligible for the instant asset write off (IAWO) on the purchase of eligible assets costing less than \$20,000. This threshold for the IAWO applies for the 2026 income year. Any asset exceeding the \$20,000 threshold is allocated to a small business depreciation “pool” and you can claim 15% in the year of purchase and 30% in subsequent years.

TIP – GET THE TIMING RIGHT

If you plan on purchasing depreciating assets, ensure you have purchased and installed the asset ready to use by 30 June 2026 to claim the full amount of the depreciation in the 2025-26 financial year.

2026 Federal Budget Announcement

The Government announced that the **\$20,000 instant asset write off** will be made permanent from 1 July 2026. Although we are not expecting any changes to accessibility or application of the IAWO, draft legislation to support this proposal is yet to be made available.

Additionally, the Government announced it is retaining the FBT exemption in the short term, but transitioning to a more targeted, scaled back concession. Until 31 March 2027, the current FBT treatment for Electric Vehicles (EVs) continues, after which the concession will be phased down based on vehicle value, with full exemption limited to lower cost vehicles (\leq \$75,000) and a 25% FBT discount applying to higher value EVs below the luxury car tax threshold, before moving to a **permanent 25% discount for all eligible EVs** from 1 April 2029.

WARNING – CONSIDER THE COST LIMIT BEFORE BUYING CARS!

If you plan on purchasing a car with a carrying capacity of less than one tonne which is designed to carry passengers (such as a sedan or hatchback), the amount of depreciation that can be claimed is limited to the car cost limit which is currently set at \$69,674 (unchanged from the 2025 financial year). The cost limit also impacts the maximum GST you can claim on these vehicles of \$6,334 (being $1/11\text{th} \times \$69,674$).

The cost limit, however, does not apply to utility type vehicles with a pay load capacity of more than one tonne.

Certain types of dual cab vehicles with a carrying capacity of less than one tonne which are not designed to carry passengers are not impacted by the cost limit. Whether or not a vehicle is designed to carry passengers depends on the specifications of the vehicle. If you are purchasing a dual cab vehicle with a carrying capacity of less than one tonne, contact your advisor to check the depreciation and GST that can be claimed on the purchase of the vehicle.

Employer Obligations

Superannuation Guarantee Rate

The superannuation guarantee rate continues to be 12% from 1 July 2026 with no further legislative increases proposed. It is prudent to review your employment contracts and ascertain whether a joining employee's package is inclusive of or excluding superannuation guarantee.

Payday Super

From 1 July 2026, significant reforms to Australia's superannuation system will take effect under the Payday Super regime. These changes represent a fundamental shift in how and when employers must meet their superannuation guarantee (SG) obligations.

Under the new rules, employers will be required to pay SG contributions at the same time as 'qualifying earnings' (i.e., salary and wages) are paid, rather than on a quarterly basis. This means superannuation obligations will arise each time an employee is paid (e.g. weekly, fortnightly or monthly), replacing the existing quarterly compliance framework.

In addition, SG contributions must be received by the employee's nominated superannuation fund within 7 business days of each payday. Limited exceptions apply, such as for new employees, where the first contribution may be made within an extended timeframe or where certain 'out of cycle' payments are made.

Failure to ensure that SG contributions are received by the relevant superannuation fund within the required timeframe will expose employers to the Superannuation Guarantee Charge (SGC) and associated penalties. Given the shortened payment timeframes and increased reporting transparency, employers will face heightened compliance risk, particularly where payroll processes are not aligned with the new requirements.

Employers should also be aware that the ATO Small Business Superannuation Clearing House will close from 1 July 2026, requiring alternative payment solutions to be implemented.

Refer to a recent [Moore Australia article](#)

Deductibility of payments to workers (including directors and associates)

From 1 July 2019, you must comply with PAYG reporting and withholding obligations in order to claim a tax deduction for payments you make to workers (including employees and contractors). If you fail to withhold PAYG from your workers' payments or do not report the amounts to the ATO prior to an audit/review, they may be considered non-compliant payments and treated as non-deductible for income tax purposes. Particular care must be taken when paying associates (e.g., business owners or their family members) to ensure you meet your withholding and reporting obligations.

Reporting

Taxable Payments Annual Report (TPAR)

If you are in one of the following industries, you may need to lodge a TPAR by 28 August 2026 containing information in relation to payments made to contractors:

- Building and construction
- Cleaning services
- Courier services
- Road freight services
- Information technology services
- Security, investigation, or surveillance services
- Mixed services (provides one or more of the services listed above)

Payment times reporting

The Payment Times Reporting Scheme (PTRS) requires certain entities including (but not limited to) companies to publicly report on their payment terms and practices for their small business suppliers. This is achieved primarily through the imposition of a bi-annual reporting requirement whereby affected entities must provide details of their payment terms for small business. This information is then published on a public register which can then be accessed by any interested party.

Companies that carry on an enterprise may have a compliance obligation for the purposes of the PTRS if any of the following apply:

1. The total income for the entity for the most recent income year for the entity was more than \$100 million.
2. If the entity is a controlling corporation – the combined total income for all members of the controlling corporation's group for the most recent income year for the controlling corporation was more than \$100 million.
3. If the entity is a member of the group of a controlling corporation to which subparagraph (2) applies – the total income for the entity for the most recent income year for the entity was at least \$10 million.

Financial reporting obligations

Large proprietary companies may be required to lodge audited financial statements with ASIC. A proprietary company is considered to be large if any two of the following three conditions are met:

- Consolidated revenue for the year \geq \$50m.
- Consolidated gross assets at year-end \geq \$25m.
- Consolidated number of employees at year-end \geq 100.

Even if a company is not considered large, requirements to prepare and/or lodge financial statements may arise including (but not limited to) situations where the entity:

- Is controlled by a foreign company and not consolidated in a set of financial statements already lodged with ASIC.
- Has one or more crowd sourced funding shareholders.
- Holds an AFSL.
- Is considered a significant global entity.
- Is required to prepare financial statements in accordance with Australian Accounting Statements under the constitution or any other agreements such as shareholder agreements or loan agreements.

2026 Federal Budget Announcement

The 2026 Federal Budget **proposes to increase the financial reporting thresholds** that determine when a proprietary company is classified as “large” under the Corporations Act 2001. In particular, the Government has proposed to double the monetary thresholds, increasing consolidated revenue from \$50 million to \$100 million and consolidated gross assets from \$25 million to \$50 million, while retaining the 100 employee threshold. Entities that fall below these revised thresholds would no longer be required to lodge audited financial statements, directors’ reports and (for some entities) sustainability reports with ASIC, thereby potentially removing a significant compliance obligation for many mid sized businesses. Overall, the measure is intended to modernise thresholds that have not kept pace with economic growth and to ease reporting requirements where scale does not necessarily reflect increased public interest or risk.

2026 FEDERAL BUDGET OVERVIEW

Please note, any legislation supporting the 2026 Federal Budget proposal is yet to be passed through Parliament.

For an overview of the proposed 2026 Federal Budget measures refer to our [Federal Budget Report and Expert Commentary on the Moore Australia website](#).

As well as recent Moore Australia articles:

[Trust minimum tax: What it means for trusts](#)

[R&D Tax Incentive changes in Australia explained](#)

[CGT Discount Reform: What Changes from 2027](#)

[Negative gearing changes: what investors need to know](#)

Tax Planning Checklist

| Item | Enhance your tax deductions |
|------------------------------------|---|
| Accrued expenses | <p>Ensure you accrue expenses where you have a present existing liability to pay the expense irrespective of the fact that you may receive the invoice or make the payment after year end.</p> <p>Example: Accrued wages – for instance, if you have a monthly pay cycle ending on 15 June, you can accrue the costs of your payroll from 16 June to 30 June and claim the wage cost as a tax deduction in the 2026 year itself.</p> |
| Bad debts | <p>Review your debtors listing and determine whether any debts can be written off. A written record should be kept evidencing the decision to write off the debt from the accounts.</p> |
| Bonuses | <p>If you have not paid your bonuses by 30 June, you may still be able to claim a deduction provided you have an obligation to pay this. To substantiate this, ensure the amount is quantifiable and approved (via minutes) and the staff are notified of the bonus.</p> |
| Deferring income | <p>The ability of a business to defer income will depend on each business, cash flows and the type of income derived.</p> |
| Plant and equipment | <p>Consider whether your business can access the IAWO on the purchase of eligible depreciating assets during the 2026 income year.</p> |
| Plant and equipment – obsolete | <p>Review your asset register and write off any assets that have been disposed or are no longer in use.</p> |
| Prepayments – immediate deductions | <p>If you are a small or medium business (aggregated turnover of less than \$50 million), you may be entitled to an immediate deduction for certain prepaid expenses where the goods or services will be provided within 12 months from the date of expenditure. Examples of items that may be deductible under the 12-month rule include subscriptions and prepayments of interest on a loan used for income producing purposes.</p> |
| Simplified trading stock rules | <p>If you are a small business (aggregated turnover of less than \$50 million), the simplified trading stock rules may apply. Broadly, you do not have to account for changes in trading stock for tax purposes where the difference between the value of the original opening stock and a reasonable estimate of the closing stock is \$5,000 or less.</p> |
| Stock – obsolete | <p>Review your stock on hand and identify any obsolete stock. You should conduct a detailed physical stock take of all stock on 30 June. Retain your detailed stock sheets as part of your taxation records.</p> |
| Superannuation – June 2026 quarter | <p>If you would like to claim a deduction for your superannuation guarantee accrued during the June 2026 quarter, ensure it is paid by 30 June 2026 (subject to cash flow). The amount should be received into the employee's fund by 30 June 2026 so you may have to pay it earlier to allow for bank processing times.</p> |

| Item | Preserve your tax deductions |
|--|--|
| International related party dealings | Ensure your transfer pricing documentation is up to date. |
| Salary and wages (incl. director fees) | Ensure PAYG withholding and reporting obligations have been met to prevent loss of deduction for non-compliant payments. |
| Superannuation – current year | Ensure superannuation is paid by the due dates to maintain your income tax deduction. If any amounts have been paid late, ensure you have prepared and lodged the necessary superannuation guarantee charge forms with the ATO to minimise interest charges and penalties. |

| Item | Comply with ATO year-end reporting requirements |
|---------------------------------------|--|
| Single Touch Payroll | Ensure year end payroll procedures have been completed and make a finalisation declaration. You must make a finalisation declaration for your employees by 14 July 2026. |
| Taxable Payment Annual Reports (TPAR) | <p>If you are in these following industries, you will need to prepare a TPAR:</p> <ul style="list-style-type: none"> • Building and construction • Cleaning services • Courier services • Road freight services • Information technology services • Security, investigation or surveillance services <p>Mixed services (provides one or more of the services listed above) Lodge the TPAR (if necessary) with the ATO by 28 August 2026.</p> |

| Item | Comply with other income tax/ASIC requirements |
|-------------------|--|
| Loans | Ensure your loans to and from companies and trusts comply with the current Division 7A provisions and ensure you have made the minimum repayments during the year for any complying Division 7A loans. |
| Dividends | Ensure you have reviewed your franking account and record any dividends paid to shareholders in your accounting systems. Ensure you have met your documentation / notification requirements. |
| Trust resolutions | In general, and subject to the terms of the Trust Deed, a discretionary trust needs to resolve how to distribute its income in writing before 30 June. |

Contact Us

With 550+ people across Australia, we are always near you. Visit our website to find your nearest Moore Australia Advisor.

www.moore-australia.com.au



An independent member of Moore Global Network Limited – members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

The information provided in this document is for general advice only and does not represent, nor intend to be advice. We recommend that prior to taking any action or making any decision, that you consult with an advisor to ensure that individual circumstances are taken into account.