TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

SUMMER **2026**

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WEALTH MANAGEMENT | ACCOUNTING | BUSINESS ADVISORY

Beware of Barter Credit Tax Schemes - ATO Flags Growing Compliance Risk

As another year unfolds, it's important to remain vigilant about emerging tax arrangements that may appear attractive, but which carry significant compliance risks.

The ATO has recently issued a strong warning about a growing tax scheme involving **barter credits** - and it's one that all taxpayers should steer clear of.

WHAT ARE BARTER CREDIT SCHEMES?

Barter credits are a form of alternative currency used in some business exchange networks. In genuine barter transactions, goods or services are exchanged, with the appropriate tax treatment applied to the value received.

However, promoters of certain schemes are offering arrangements where participants acquire barter credits at a low cash cost and then donate them to a **deductible gift recipient (DGR)** - typically a registered charity - claiming a large tax deduction based on the nominal value of the credits rather than their true economic cost.

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WHY THE ATO IS CONCERNED

The ATO has flagged that deductions claimed in this way can be **artificially inflated** and may not reflect the donation's actual value. While it is not inherently unlawful for a DGR to accept barter credits, claiming a deduction for more than what the donation truly cost can be illegal and treated as **fraudulent behaviour** under tax law. Participants may face not only withdrawal of the tax benefit but also **penalties, interest and potential legal action.**

WHY YOU NEED TO BE CAREFUL

This type of scheme often appears appealing during periods of tight cash flow, especially for small businesses. However, the short-term tax benefit is outweighed by the long-term risk of compliance action. The ATO's **Taxpayer Alert (TA 2025/3)** identifies these arrangements as a **priority compliance issue.**

WHAT DO WE RECOMMEND?

If you are approached with any arrangement that promises unusually large deductions or claims to significantly reduce your tax through barter credits or similar constructs, please discuss it with us first.

We can help assess whether it is legitimate and, if necessary, guide you on **voluntary disclosure** to the ATO, which may reduce penalties if you have already participated.

Staying informed and cautious is your best protection against compliance risks in an ever-evolving tax landscape.

Can You Amend A Mistake Made With FBT?

Fringe Benefits Tax (FBT) is an area where even well-intentioned businesses can make mistakes.

A misclassified expense, an overlooked employee benefit, or an incorrect exemption can all result in an unexpected FBT liability. A common question we receive is whether a mistake can be fixed – or whether you simply have to "cop" the cost.

The good news is that, in many cases, FBT errors can be rectified.

If you identify a mistake before lodging your FBT return, the solution is straightforward: correct the classification, apply the correct valuation method, or remove the benefit if it does not qualify. Reviewing entertainment, vehicle use, and reimbursements before lodgement can often prevent unnecessary tax altogether.

If the error is discovered after lodgement, you can generally amend your FBT return. Amendments are available for up to four years, provided you have adequate records to support the correction. This may allow you to reduce the taxable value of a benefit or claim exemptions or reductions that were missed initially.

However, there is no ability to "offset" a mistaken FBT-attracting purchase against another unrelated expense. Each benefit stands on its own. If a purchase genuinely gives rise to FBT, the liability cannot be cancelled out by other non-FBT expenses or business deductions.

That said, there may still be strategies available. For example, restructuring future benefits, changing vehicle usage patterns, improving logbook records, or switching to salary packaging arrangements can reduce FBT exposure going forward.

The key takeaway is not to ignore an FBT mistake. Early action provides more options, reduces the risk of penalties, and often leads to a better outcome. If you are unsure whether a benefit has been treated correctly, seeking advice before or after lodgement can make a meaningful difference to your final tax position.

Why Is The ATO Grounding Certain Taxpayers?

Travel plans are usually something to look forward to - whether it's a long-awaited holiday, visiting family overseas, or travelling for business. However, the Australian Taxation Office (ATO) has recently stepped up its use of travel bans for certain taxpayers with significant unpaid tax or superannuation debts, catching many people by surprise.

With more than $50 billion in outstanding debt across the community, these bans are part of the ATO's efforts to ensure compliance.

Known as **Departure Prohibition Orders (DPOs)**, these restrictions prevent individuals from leaving Australia until their tax matters are resolved. Since July 2025, the ATO has issued 21 DPOs - already exceeding the total issued during the entire 2024–25 financial year - highlighting a notable increase in enforcement activity.

In simple terms, a DPO allows the ATO to prevent someone from leaving Australia if it believes they may not return or may avoid paying outstanding tax obligations. While this power has existed for some time, the ATO is now using it more frequently as part of a broader effort to address Australia's growing tax debt.

WHY THE CHANGE?

The ATO has reported that some taxpayers with large, overdue debts continue to prioritise overseas travel despite repeated requests to engage or to make payment arrangements. With collectable tax debt sitting in the tens of billions of dollars, the ATO is under pressure to take firmer action to protect the integrity of the tax system.

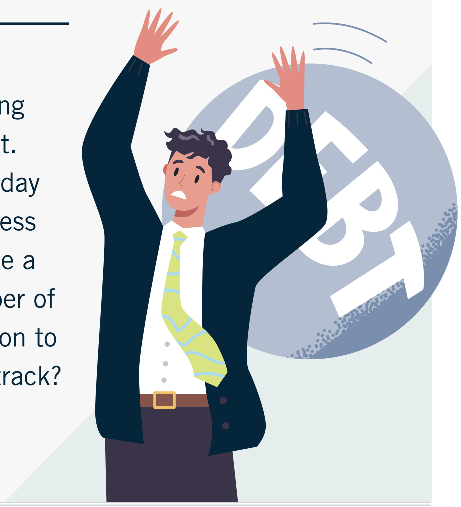
It's important to note that these measures are not aimed at everyday taxpayers who may be struggling or who are actively working with the ATO. In most cases, travel bans are reserved for situations where debts are substantial and there has been little or no cooperation. In other words, if your debt is a sneeze, they're not going to haul your butt into jail.

DO YOU HAVE A SIGNIFICANT TAX DEBT?

The key takeaway is simple: if you have outstanding tax or super obligations, **don't ignore them** - especially if you're planning to travel. Engaging early, seeking advice, and communicating openly with the ATO can help avoid serious consequences, including disrupted travel plans.

- **Check your tax and super obligations:** Ensure all filings are up to date and any outstanding amounts are known.
- **Engage early with the ATO:** If you have unpaid debts, don't ignore notices - prompt contact with the ATO can help avoid travel restrictions.
- **Consider a payment plan:** The ATO can work with you to set up manageable arrangements, which may prevent a Departure Prohibition Order (DPO) from being issued.
- **Seek professional advice:** A qualified accountant or tax adviser can review your situation, communicate with the ATO on your behalf, and guide you on the safest course of action.
- **Plan travel with care:** Avoid booking international travel until your tax matters are under control to prevent disruption to your plans.

If you're unsure where you stand or need help managing a tax debt, please reach out. A proactive conversation today can save a great deal of stress tomorrow. Why not schedule a time to speak with a member of our team ahead of tax season to ensure you're on the right track?



If I Have Significant Tax Debts, Could That Impact My Career?

Keeping your finances in order isn't just about peace of mind - it can also have a real impact on your career. For many professionals, significant unpaid tax debts can go beyond the usual interest and penalties, creating challenges that affect your reputation, your professional standing, and even your ability to maintain a license.

Whether you're an accountant, lawyer, financial adviser, or healthcare professional, unresolved tax obligations can raise concerns for licensing bodies, employers, and clients alike. The good news is that with the right approach, these risks can be managed before they start affecting your career.

WHY STAYING ON TOP OF TAX DEBT MATTERS

Certain professions require practitioners to meet strict standards of financial responsibility. Licensing boards and professional associations often consider significant unpaid tax debts as a risk to public trust. It's important to remember that these tax debts aren't like the ones you might have on your personal tax return - they can run into tens or even hundreds of thousands of dollars.

For example, an accountant with unresolved tax obligations may be perceived as less capable of providing responsible client advice, given their own failure to comply. It's not just accountants, though - lawyers, financial advisers and other regulated professionals can face similar scrutiny and oversight. In these cases, unresolved tax debts can have direct professional consequences.

WHAT DOES THAT MEAN?

When a licensing body identifies a substantial tax debt, it may take steps against the individual, such as:

- Restricting the professional's practice
- Requiring disclosure of the debt to clients
- Suspending or even revoking a license

Even outside regulated professions, tax debts can still create hurdles. Employers may view large outstanding debts as a red flag during background checks, and positions that require financial responsibility could be harder to secure.

The ATO can take the following action against individuals (for unpaid tax debts, individual or business-related):

- Add a general interest charge (GIC) to what you owe, which means that your debt will grow each day your debt remains unpaid.
- Use any refund or credit that you're entitled to to pay off the debt (this is legally required by the ATO)
- Refer your debt to a debt recovery agency for collection.

Firmer action may include:

- issuing a garnishee notice
- issuing a director penalty notice
- disclosing your business tax debt to registered credit reporting bureaus.

TAKING CONTROL BEFORE IT'S TOO LATE

The key is to address tax debts proactively.

1. **Face the Issue Early** - Don't ignore unpaid tax debts. The sooner you act, the more options you have.
2. **Engage with Tax Authorities** - Contact them to arrange a manageable repayment plan and avoid escalation.
3. **Seek Professional Advice** - Accountants or financial advisers can help you structure repayments and navigate complex obligations.
4. **Stay Transparent with Licensing Bodies** - For regulated professionals, proactively informing your licensing body shows responsibility and integrity.
5. **Document Everything** - Keep records of communications and agreements; this can help demonstrate good faith if your professional standing is ever questioned.

For professionals whose licenses may be at risk, being transparent with your licensing body and showing a commitment to resolving debts can demonstrate responsibility and integrity.

Need assistance with your tax compliance and obligations? Speak to one of our trusted team members and find out how we can help.

FBT & Cars: Where Businesses Commonly Get It Wrong (& How to Avoid It)

Fringe Benefits Tax (FBT) and work vehicles continue to be one of the most common problem areas we see for businesses.

Many employers assume certain vehicles - particularly dual-cab utes - are automatically exempt from FBT. Unfortunately, that assumption often leads to unexpected liabilities, amended returns, and difficult discussions with the ATO.

The reality is that FBT exemptions are not based on the vehicle alone. They depend on **both the type of vehicle and how it is actually used**. Even where a vehicle is eligible for an exemption, failing to meet the conditions or maintain appropriate records can still result in FBT applying.

UNDERSTANDING WHERE EXEMPTIONS APPLY

The table below provides a practical snapshot of how common vehicle types are generally treated for FBT purposes in the 2025–26 FBT year:

Vehicle Type	Potential FBT Exemption?	Key Conditions	Common Errors
Sedans, hatchbacks, SUVs	✕ No	Private use (including commuting) generally triggers FBT	Assuming business branding makes it exempt
Single-cab utilities	✓ Yes	Load capacity ≥ 1 tonne and only limited private use	Regular personal use
Dual-cab utes	**Sometimes**	Must be an eligible vehicle, and private use must be minor, infrequent and irregular	Treating all dual cabs as exempt
Panel vans/ goods vans	✓ Yes	Designed mainly for carrying goods with limited private use	Poor or no records
Vehicles carrying 9 or more passengers	✓ Yes	Passenger capacity test met and limited private use	Family or personal use
Electric vehicles (EVs)	✓ Yes	Zero-emissions, under the LCT threshold, first held after 1 July 2022	Forgetting reporting obligations
Plug-in hybrids	**Limited**	Transitional rules only	Assuming all hybrids qualify

WHY MISTAKES HAPPEN

Most FBT errors don't arise from carelessness. More often, vehicle use changes gradually over time. A vehicle initially provided strictly for work may be used for weekend errands, or an employee's role may change. An exemption that once applied may no longer be valid - often without anyone realising.

Record-keeping is another major risk area. Even where private use is genuinely limited, poor documentation can make an exemption difficult to support.

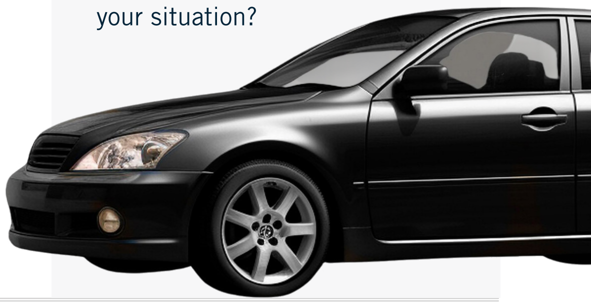
PRACTICAL STEPS TO STAY COMPLIANT

To reduce FBT risk, businesses should:

- Regularly review how work vehicles are actually being used
- Clearly communicate permitted private use to employees
- Keep records to support exemption claims
- Keep records to support exemption claims

When it comes to FBT and vehicles, assumptions are costly. A simple annual review can prevent errors, protect cash flow, and provide peace of mind. If you are unsure whether your vehicles still qualify for an exemption, getting advice early can help avoid surprises later.

Why not speak to a member of our team to discuss how we can provide tailored guidance for your situation?



Instant Asset Write-Off: What Small Businesses Need To Know For 2025–26 Financial Year

Buying new business equipment doesn't have to be a long-term deduction headache.

With the Instant Asset Write-Off, small businesses can claim the full cost of eligible assets in the same year. For 2025–26, the per-asset limit (where eligible) has been raised to $20,000, giving small businesses a straightforward way to reduce their taxable income.

Knowing how it works, what mistakes to avoid, and how to stay compliant is important for making the most of this opportunity in the 2025–26 financial year.

HOW THE INSTANT ASSET WRITE-OFF WORKS

Under current rules, small businesses with an aggregated annual turnover of less than **$10 million** may be able to immediately deduct the business portion of the cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use for a taxable purpose within the relevant period.

The $20,000 threshold applies per asset, so you can instantly write off multiple qualifying assets in the same year.

To qualify:

- Your business must use the **simplified depreciation rules**.
- Each asset must be first used or installed, ready for use within the r**elevant period (1 July 2025 - 30 June 2026)**.
- You can claim the deduction for **both new and second-hand assets** under the threshold.

If an asset's **cost exceeds $20,000**, it must be added to your small business depreciation pool and written off over time according to standard methods.

FOR EXAMPLE

Freya operates a small graphic design business with an annual turnover of $750,000. In August 2025, she purchases a new computer and monitor setup for $8,400, which she uses exclusively for client work.

Because the asset cost is below $20,000, her business turnover is under $10 million, and it is first used during 2025–26, she can claim an **instant deduction for the full business cost**, reducing her taxable income for the year.

COMMON MISCONCEPTIONS & MISTAKES

Despite its apparent simplicity, several errors are often made when assets are purchased for business use, before applying the Instant Asset Write-off. These include:

- **Assuming any business purchase qualifies**, the asset must meet the write-off criteria and be first used or installed, and ready for use, within the relevant dates.
- **Treating vehicles as always eligible** - Cars and some other vehicles are subject to separate limits.
- **Failing to separate business and private use** - Only the business portion of the cost is deductible. Inadequate records can lead to incorrect claims.

WHEN IT DOESN'T WORK

Jack runs a building business and buys a dual-cab ute in May 2026 for $18,500. He assumes that because the cost is under $20,000, the full amount qualifies for the Instant Asset Write-Off.

However, he also uses the vehicle for private trips and hasn't kept records. Only the **business-use portion** may be deductible, and FBT or standard depreciation rules may apply. Without proper records, Jack risks over-claiming.

KEEPING COMPLIANT: YOUR CHECKLIST FOR THE INSTANT ASSET WRITE-OFF

To ensure you maximise the benefit and stay compliant:

- **Plan purchase timing** - Make acquisitions within the eligible usage period before year-end.
- **Confirm eligibility before buying** - Check turnover, asset type, and use criteria with your adviser.
- **Keep detailed records:** retain invoices, installation dates, and usage evidence to support claims.
- **Review vehicles and other special categories** - Understand the specific limits and exclusions.
- **Reassess the asset strategy each year;** thresholds and eligibility can change.

PREPARING YOURSELF FOR 2025-2026 TAX TIME

The Instant Asset Write-Off remains a powerful tool for managing cash flow and reducing taxable income - but only if applied correctly. Careful planning of asset purchases, confirming eligibility, and maintaining accurate records can prevent errors and maximise your deduction.

If you would like assistance reviewing your asset purchases or planning your asset depreciation strategy for 2025–26, please contact our office to schedule a tailored discussion.

Holiday Home Deductions: What's Changed?

*If you own a holiday home that you rent out from time to time - whether through short-stay platforms, a local agent, or directly to guests - recent changes and emerging guidance from the Australian Taxation Office (ATO) mean it's more important than ever to understand how your **tax deductions** may be affected.*

The key shift is that the ATO is tightening the rules around **what expenses you can claim** on a holiday home that's also used for personal enjoyment. This reflects new draft ATO guidance (Draft Taxation Ruling TR 2025/D1 and associated compliance guidelines) that will influence tax returns lodged from the 2025–26 year onward.

WHAT'S CHANGED

Under the updated ATO approach, deductions for holding costs such as interest, council rates, insurance, repairs and maintenance may be **reduced or denied** unless the holiday home is **mainly held for the purpose of producing assessable rental income.** This is a stricter interpretation than in the past, when deductions were generally allowed to be apportioned based on the time a property was genuinely available for rent.

The ATO now considers factors such as:

- How many days the property is rented versus privately used.
- Whether the property is genuinely available for rent during **peak holiday periods**.
- Rental pricing that reflects **market rates**.
- Acceptance of reasonable booking requests rather than restrictive terms that limit rentals.

Higher levels of personal use and limited commercial exposure may indicate the property is not held **mainly for rental income,** putting deductions at risk.

WHAT THIS MEANS FOR OWNERS

Under the new approach:

- **Rental income** must continue to be declared in full.
- **Expenses directly related to earning rental income**, such as platform commissions and advertising, remain deductible.
- However, **ownership and holding costs**, such as mortgage interest or council rates, may be denied if personal use predominates.
- Simply advertising the property isn't enough - availability, pricing and booking patterns are all taken into account.

In practical terms, a property that is only rented for a few short weeks each year - especially if it's blocked out for personal use during peak periods - may now attract ATO scrutiny and **limited deductions**.

WHAT YOU CAN DO

To reduce the risk of unexpected tax adjustments:

- **Keep detailed records** of all rental and private use days.
- Ensure the property is **genuinely available for rent at market rates**, particularly during school holidays and summer peaks.
- Use multiple channels to advertise the property and ensure broad exposure.
- Avoid pricing or booking conditions that discourage reasonable tenancy enquiries.
- Review past deduction claims with your tax adviser to check they align with the emerging ATO position.

This proactive approach not only supports compliance but also makes it easier to defend your deduction positions if the ATO reviews your tax return.

YOUR NEXT STEPS:

The ATO's evolving stance on holiday home deductions underscores the importance of treating your property as a **genuine rental investment**, not just a lifestyle asset.

For the 2025–26 tax year and beyond, careful documentation and clear commercial intent will determine whether deductions are allowable or claims are denied.

If you're unsure how these changes affect your holiday home, we recommend scheduling a review with your tax adviser. Early planning can help you stay compliant, take advantage of legitimate deductions, and avoid surprises at tax time.

FBT On Rewards From Business-Earned Points: What You Need To Know

*Many businesses now use platforms like **pay.com.au** to pay everyday business expenses while earning reward points.*

Turning routine payments into frequent flyer points or other rewards can feel like a smart win - especially when those points later fund a personal trip or upgrade.

However, when a business earns reward pointsand those points are later used for personal benefits, Fringe Benefits Tax (FBT) may apply. This is an area where businesses often make assumptions, and it's also attracting increasing ATO attention in the **2025–26 FBT year**.

How The Arrangement Works

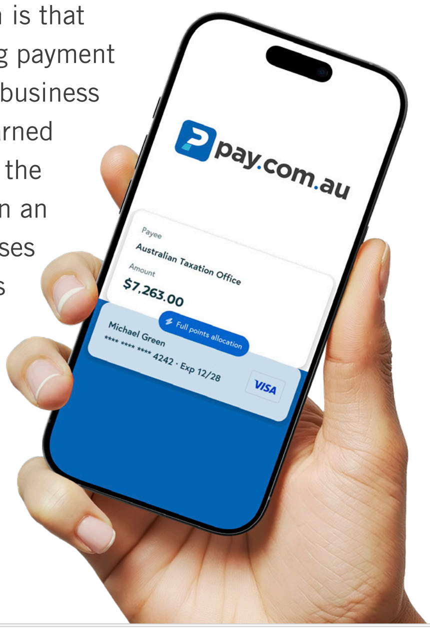
The process usually works like this:

1. The business uses pay.com.au to pay a legitimate business expense.
2. The business pays a service fee to use the platform (this fee is generally deductible).
3. Reward points are earned as a result of the payment.
4. The points are later redeemed for something of value, such as flights or accommodation.

Problems arise when the **redeemed reward is for personal use** by a director, employee, or their associate.

Common Assumptions: Where Businesses Go Wrong

A common assumption is that because the underlying payment relates to a legitimate business expense, any points earned are "free" and outside the tax net. In reality, when an employee or director uses business-earned points for personal rewards, the ATO may treat the benefit as a **fringe benefit**.



Another mistake is assuming points have no clear value. While points are not cash, they can still have a **taxable value** based on the benefit received. If the arrangement appears structured primarily to deliver personal rewards, the FBT risk increases.

Why This Creates An FBT Issue

FBT applies when a business provides a benefit to an employee or associate in connection with their employment. When a business funds payments that generate points and those points later deliver a personal reward, the benefit does not disappear simply because it was indirect. The ATO has made it clear that customer loyalty and rewards programs can fall within the FBT rules.

Your FBT Checklist

To manage FBT exposure:

- Clearly document the **commercial purpose** of using rewards platforms
- Where possible, **redeem points for business purposes** only
- Track who uses rewards and **how they are used**
- Review redemptions annually as part of your FBT process
- Seek advice where points are used personally by directors or staff

Using platforms like pay.com.au can deliver genuine efficiencies for businesses, but reward points are not tax-free by default. When business-earned points fund personal rewards, FBT may apply.

If your business uses payment platforms that generate rewards, now is the right time to review how points are earned and redeemed. Getting advice early can help you stay compliant and avoid surprises when your next FBT return is due.