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Do you rent out your holiday home?

If you own a holiday home you might rent it out at times when you're not using it yourself. Remember, you should seek professional advice if you have any concerns.

If your holiday home is rented out, the rental income you receive is taxable. You can claim expenses for the property to the extent they're incurred in earning that rental income.

Your expenses will have to be apportioned if:

- your property is genuinely available for rent for only part of the year;
- you used the property yourself for part of the year;
- only part of your property is used to earn rent; or
- you charge less than market rent to family or friends to use the property.

Expenses that relate solely to the renting of your property don't have to be apportioned.

On the other hand, no deduction can be claimed for expenses that relate solely to periods when the property isn't genuinely available for rent, is used for a private purpose or relates to the part of the property that isn't rented out. For example, the cost of cleaning your holiday home after you, your family or friends have used the property for a holiday or a repair for damage you caused while staying there wouldn't be deductible expenses because they relate to your private use.

Expenses may be deductible for periods when the property isn't rented out, but only if the property is genuinely available for rent.

Is your business BAS-ready?

Now is a great time to make sure your business is ready to meet upcoming business activity statement (BAS) due dates. The BAS applies if you run a business that's registered for GST. You'll need to report and pay using a monthly or quarterly BAS, and may report and pay GST annually, depending on your business turnover and other circumstances.

When you register for an Australian business number (ABN) and GST, the ATO will automatically send you a BAS when it's time to lodge. This will help you report and pay your business's GST, pay as you go (PAYG) instalments, PAYG withholding tax and other taxes and credits.

You can lodge your own BAS online using ATO Online Services (which may make you eligible for extra time to lodge), or directly from some business and accounting software. Payment is generally due by the same date as lodgment. Alternatively, you can have your registered tax agent or BAS agent lodge and handle payments on your behalf, which can also mean you get extra time to lodge.

To make your BAS as stress-free as possible, it's important to:

- keep records of all sales, fees, expenses, wages and other business costs;
- keep appropriate records, such as stocktake records and logbooks to substantiate motor vehicle claims;
- reconcile sales with bank statements;
- use the correct GST accounting method; and
- keep all your tax invoices and other GST records for five years.

Finally, remember that you (or your agent) always need to lodge a BAS by its due date, even if your business has nothing to report for the period. You can lodge a "nil" BAS online or by phoning the ATO's automated reporting service.

ATO data-matching: "lifestyle" assets and your business

The ATO has announced or extended a number of data-matching programs recently, including the lifestyle asset data-matching program. Data will be acquired from insurance providers for 2023–2024 to 2025–2026 for specified classes of asset where the asset value is equal to or exceeds nominated thresholds.

The assets and thresholds covered are:

- caravans/motorhomes: $65,000;
- motor vehicles including cars, trucks and motorcycles: $65,000;
- thoroughbred horses: $65,000;
- fine art: $100,000 per item;
- marine vessels: $100,000; and
- aircraft: $150,000.

Some of the tax risks relevant to businesses that the ATO is keen to address are the:

- omission or incorrect reporting of income and/or capital gain;
- incorrect claiming of GST credits;
- omitted or incorrect reporting of FBT; and
- use of assets by self-managed super funds (SMSFs) in breach of the law.

The ATO estimates that between 650,000 and 800,000 policy records will be obtained each year, with 250,000 to 350,000 matched records relating to individuals.

Superannuation on paid parental leave from 1 July 2025

In March 2024, the government announced its intention to commence paying superannuation on government paid parental leave (PPL) payments from 1 July 2025. The related law has now been passed.

New parents eligible for the PPL scheme with children born or adopted on or after 1 July 2025 will receive the paid parental leave superannuation contribution (PPLSC). This will be paid as a lump sum superannuation payment following the end of each financial year when the parents received PPL.

Recipients of PPL won't be required to make a claim – the ATO will calculate the PPLSC based on information from Services Australia about their payments, and the contribution will be automatically deposited into their nominated superannuation fund.

The PPL scheme has also been legislated to expand over time. From 1 July 2024, eligible individuals and families receive two additional weeks of leave, amounting to 22 weeks in total. This increases to 24 weeks from 1 July 2025, and to 26 weeks from 1 July 2026. By 2026, a total of four weeks will be reserved for each parent on a "use it or lose it" basis, to encourage the sharing of care responsibilities. In addition, the number of PPL weeks a family can utilise at the same time increases to four weeks from 1 July 2025, up from the current two weeks.

Salary sacrifice and your super

Salary sacrificing to make additional contributions to your super fund can help grow your super balance for a better financial position at retirement. Before making an arrangement, you should explore the potential benefits and your financial goals to ensure it's the right fit for your circumstances.

Salary sacrificing is an agreement with your employer for you to receive less income before tax in return for benefits of a similar value paid for by your employer. Depending on the industry you work in, benefits could include car or mortgage payments; tools or protective clothing; or super contributions.

Most employers offer salary sacrifice to super for their employees, meaning you could choose to have part of your pre-tax income paid into your super fund in addition to your super guarantee (SG) entitlement (11.5% for 2024–2025). Super contributions made by salary sacrifice are concessional contributions, taxed at 15% instead of at your marginal income tax rate.

Potential benefits

- Your employer will set up and automatically send the contributions to your super fund.
- Regular additional payments, especially if you start early, will accelerate the growth of your super balance and make a big difference at retirement.
- Lower taxable income may help you pay less tax, stay in a lower tax bracket, reduce the Medicare Levy or qualify you for certain concessions.
- Up to $50,000 of salary sacrifice contributions are eligible to be accessed through the First Home Super Saver Scheme.
- Salary sacrificing to super will not reduce the amount of SG contributions your employer provides.

Points to consider

- Less take-home pay may be challenging if you have a tight budget or immediate financial needs like a mortgage.
- If you aren't using the funds to purchase your first home, you generally won't be able to access any of the money added to your super fund until you reach 65 or you retire after age 60, so you will need enough funds outside of super to cope with emergencies or other shorter-term financial issues.
- The amount of "concessional" contributions you can add to your super each year is capped ($30,000 for 2024–2025): if you go above the cap, contributions will be taxed at your marginal tax rate (less a 15% tax offset). Concessional contributions include SG and salary sacrifice contributions, as well as contributions you claim a tax deduction for.
- You won't be able to claim a tax deduction on salary sacrificed super contributions, as you won't have paid income tax on them.

- If you earn under $45,000 a year, salary sacrificing into super might not be as beneficial due to your lower income tax rate.

Exploring compassionate early release of super

Superannuation is designed to provide for your retirement, but there are limited circumstances where you can access your super early on compassionate grounds. These provisions are in place to help meet urgent expenses for you or your dependants when other options have been exhausted.

The ATO oversees applications for the compassionate release of superannuation. It's important to understand the specific situations that may qualify and the process involved.

Compassionate grounds cover a range of circumstances, including:

- preventing foreclosure or forced sale of your home;
- medical treatment for you or your dependants;
- medical transport for you or your dependants;
- modifying your home or vehicle to accommodate special needs arising from severe disability;
- palliative care for terminal illness; and
- death, funeral or burial expenses for your dependants.

Generally, applications need to be for unpaid expenses – you can't claim for costs you've already covered. The amount released from your super must be a single lump sum, not exceeding what's reasonably required.

Before applying to the ATO, it's crucial to contact your super fund. The fund can confirm if it'll release your super early on compassionate grounds, check if you have sufficient funds (including for tax withholding), advise on any fees and explain potential impacts on your insurance.

Remember, accessing your super early should be a last resort. It's your future financial security at stake. However, when faced with genuine hardship, it's reassuring to know that this option exists to help through difficult times.