client alert | explanatory memorandum

October 2025

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 22 September 2025.

Make managing your tax less intimidating with the ATO's free tools and services

If you've ever felt unsure about doing your tax online – or you're helping someone who is – there are safe, simple ways to learn how it all works. The ATO offers practical tools to help you explore myTax and ATO online services, understand what information's needed, and access free support if you're eligible. Here's how you can build confidence and take the stress out of managing your tax.

Start with the ATO Online Services Simulator

The ATO Online Services Simulator is an online tax training ground. It lets you explore myTax and other ATO online services without any risk or commitment. You can't accidentally submit a real tax return or make actual payments – it's purely for learning.

The simulator features eight different user scenarios, each representing common Australian tax situations. Whether you're a young person lodging your first tax return, a working holiday maker, a retiree managing superannuation income streams, or someone with more complex affairs involving business income, there's likely a scenario that matches your situation. You practise by acting as the "client" user and clicking through the same style of screens you'd see in real tax records in your MyGov account – entering details, reviewing typical pre-fill information and stepping through lodgment-style workflows.

Because the simulator uses mock data, you can try things out without affecting any real records. If you're demonstrating for someone else – such as a student, a relative or a person you care for – taking them through the simulator first helps make the real system feel familiar.

To try the simulator, visit the ATO website at www.ato.gov.au and search for "Online Services Simulator" using the search bar at the top of the page.

Free support when you need it

If you earn $70,000 or less and have straightforward tax affairs, the Tax Help program offers free assistance from July to October each year. Accredited volunteers can help you lodge your tax return online, create a myGov account, lodge amendments or determine if you need to lodge a return at all.

You can access Tax Help support online, by phone, or in person at centres across Australia. To book, call 13 28 61 (choose option 3, then option 2). Bring your myGov details (or get help setting up an account), Tax File Number, bank details, notices of assessment, income statements, receipts and (if relevant) your spouse's income details. The Tax Help volunteers understand that many people feel uncertain about digital tax processes and are specifically trained to provide patient, supportive guidance.

For more complex situations

If your income exceeds $70,000 or you have more complex tax affairs – such as running a business, owning rental properties, or dealing with capital gains tax – the National Tax Clinic program might be suitable. This government-funded initiative operates through universities across Australia, where tax students provide free advice under the supervision of qualified professionals.

Get started safely

Before diving into your actual tax affairs, consider spending time with the simulator. It's an excellent way to familiarise yourself with the interface and processes without pressure. You can explore at your own pace, repeat sections as needed and build confidence in using digital tax tools.

Whether you're building your own confidence with digital tax tools, helping a family member or teaching students about tax responsibilities, these resources provide a safe, supportive environment for learning.

Source: www.ato.gov.au/calculators-and-tools/ato-online-services-simulator

Deeming rate changes from 20 September: will your pension be affected?

If you're receiving the Age Pension or other social security payments, you've likely heard about changes to "deeming rates" taking effect on 20 September 2025. But what exactly are deeming rates, and how might these changes affect your payments?

Understanding deeming rates

Deeming rates are part of how the government calculates your Age Pension and other social security payment entitlements. When you have financial assets like savings accounts, term deposits, shares or managed funds, the government and Services Australia don't assess your actual investment returns for pension purposes. Instead, they assume (or "deem") that your investments earn a set rate of return, regardless of what they actually earn.

Currently, there are two deeming rates: a lower rate of 0.25% that applies to the first $64,200 of your financial assets (if you're single), and an upper rate of 2.25% that applies to amounts above that threshold. For couples, the lower rate applies to the first $106,200 of combined financial assets.

The changes

From 20 September 2025, these rates will each increase by 0.5%. The lower deeming rate will rise from 0.25% to 0.75%, and the upper rate will rise from 2.25% to 2.75%.This marks the end of a freeze that's been in place since May 2020, when rates were reduced as an emergency COVID-19 measure.

The government extended this freeze multiple times to help shield pensioners during economic uncertainty. However, with inflation easing and investment returns now higher than they were during the early pandemic, the government believes it's time to gradually return rates to more normal levels.

Who will be affected?

Not everyone will see changes to their pension payments. You'll only be affected if you're currently receiving an income-tested rate of pension (rather than an assets-tested rate) and your total income exceeds the income-free area for your payment type.

According to government data from June 2025, almost 5.4 million people receive an income support payment, but only around 771,000 have their payment rates affected by deemed income. About 60% of these affected social security recipients are Age Pension recipients, who tend to hold more financial assets than people who get other payments.

Here's some potentially good news, though: the deeming rate increases coincide with the regular indexation of pension payments on 20 September. Indexation typically increases payment rates to keep pace with cost-of-living changes.

Government modelling suggests that most recipients affected by the deeming rate changes won't actually see their fortnightly payments decrease when both changes are considered together. In fact, many people are expected to still see a net increase in their payments due to indexation being larger than the deeming rate impact.

For example, a single Age Pension recipient with $200,000 in financial assets and no other income will receive the full indexation increase of $29.70 per fortnight, because the deeming rate change won't affect their payment rate at this asset level. With $300,000 in financial assets, they'd still see a small indexation increase of $4.70 per fortnight.

Looking ahead

Now that the deeming rate freeze is ending, the government says future rate adjustments will be guided by advice from the Australian Government Actuary, with changes typically occurring on the regular payment indexation dates (20 March and 20 September each year).

If you're concerned about how these changes might affect you, consider speaking with Services Australia or a financial adviser. Remember, if your investments are earning more than the deeming rates, any excess returns don't count as income for pension purposes, which is an incentive to seek reasonable returns on your investments.

Source: www.servicesaustralia.gov.au/deeming?context=22526
https://ministers.dss.gov.au/media-releases/18361

Vouchers and GST in your business

As a business owner you're probably familiar with Australia's goods and services tax (GST) and its implications on your operations. However, when it comes to vouchers, the GST rules can be a bit more complex. If your business sells or buys vouchers, it's essential to understand how to account for and report GST correctly.

What counts as a voucher?

A voucher is a document or an electronic record that represents a right to receive goods or services. This includes physical gift cards, digital vouchers and even prepaid phone cards. When your business sells a voucher, you're essentially providing the recipient with a promise to supply goods or services in the future. This promise can be redeemed at a later date, and it's at this point that the GST implications come into play.

The ATO recognises two distinct types of vouchers, and understanding the difference is crucial for your GST obligations.

Face value vouchers

Face value vouchers can be redeemed for a reasonable choice of goods and services – for example, a $50 supermarket gift card that works across all store locations. The voucher sale isn't considered a GST taxable supply, so you don't charge GST at the point when you sell the voucher. Instead, you account for GST when the voucher's redeemed and the goods or services are supplied. For instance, if you sell that $50 gift card, you don't charge GST on the gift card sale, but when the gift card's redeemed to purchase goods worth $50, you charge GST on the supply of those goods.

There's one exception: if you sell a face value voucher for more than its face value (perhaps a $50 voucher for $55), you must account for GST on the excess amount immediately.

Non-face value vouchers

Non-face value vouchers are restricted to specific goods or services – like a voucher specifically for a spa treatment, purchased for $100. With these, you account for GST (eg on the $100 price) at the time of sale, but only if the voucher is redeemable for taxable supplies.

If the voucher is only redeemable for GST-free or input-taxed supplies, there's no GST to account for.

Note on expired vouchers

Here's something business owners often overlook: if you've sold face value vouchers that expire or remain unredeemed, and you write back the unused amount to your current income for accounting purposes, you need to make an "increasing adjustment" on your Business Activity Statement (BAS). This adjustment is 1/11th of the unredeemed balance.

Buying vouchers for your business

If your business buys vouchers, you may be able to claim a GST credit – but timing matters. For face value vouchers, you claim the credit when you redeem the voucher, not when you buy it. For non-face value vouchers, you claim the credit when you purchase the voucher.

Remember, you can only claim credits for GST-inclusive purchases used in your business – for example, meal vouchers for your employees to use in the course of their work – and you'll need a tax invoice for purchases over $82.50. If you buy vouchers for personal use, such as gifts for family members, you can't claim a GST credit.

Keep accurate records

To account for GST on vouchers you sell, you need to keep accurate records including dates of sale, redemption and/or expiration, and the amounts of GST payable. Importantly, specific rules and exceptions apply to certain types of vouchers. For example, if you sell vouchers that can be redeemed for a combination of goods and services, you need to apportion the GST accordingly. You may also need to issue a tax invoice to the customer when a voucher's redeemed, and keep a copy of this invoice for your records. And finally, of course, you need to report GST on vouchers in your BAS in accordance with ATO guidelines.

Source: www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/rules-for-specific-transactions/gst-and-vouchers

$20,000 instant asset write-off due for extension to 30 June 2026

Are you a small business owner planning to invest in new equipment or technology? The good news is that the government is planning to extend the $20,000 instant asset write-off by a further 12 months until 30 June 2026.

This measure was announced by the Treasurer as an election commitment on 4 April 2025 and is contained in the recently introduced *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025*. The measure is not yet law.

What's changing?

Once this Bill is passed, the $20,000 threshold will continue to apply until 30 June 2026.

Without this amendment, the threshold would have dropped back to the ongoing legislated level of $1,000 from 1 July 2025.

The extension applies to:

- eligible depreciating assets costing less than $20,000 each;
- eligible amounts included in the second element of an asset's cost (cost additions); and
- general small business pools (enabling full write-off where the pool balance is below $20,000 at year end).

Who can benefit?

Small businesses that use the simplified depreciation rules and have an aggregated turnover of less than $10 million can continue to immediately deduct the business portion of the cost of eligible assets first used or installed ready for use by 30 June 2026. The write-off can apply to multiple assets, provided each individual asset is under the $20,000 limit.

How it works

- You claim the deduction in the income year the asset is first used or installed ready for use.
- There's no cap on the number of assets; the limit applies per asset.
- Both new and second-hand assets can qualify, provided they're eligible under simplified depreciation.
- If you previously wrote off an asset under simplified depreciation, the first deductible "second element" cost you incur in a later year can also be immediately deducted if it's under $20,000 and is the first such addition after the original write-off.
- You must reduce the deduction for any private use portion; importantly, the entire asset cost must still be below $20,000, regardless of your business-use percentage.
- If you're registered for GST and can claim full credits, assess the cost net of GST; if not registered, use the GST-inclusive cost.

What can you claim?

The instant asset write-off covers a wide range of business assets, including:

- office equipment and computers;
- tools and machinery;
- vehicles (subject to car limits);
- furniture and fittings; and
- new and second-hand assets.

However, there are some exclusions and special rules. For passenger vehicles, a car limit applies, and certain assets like those used primarily for research and development may not qualify.

When the limit is exceeded

If an asset's total cost is $20,000 or more, it isn't eligible for the instant write-off under the simplified rules. Instead, small businesses must allocate the business-use portion to the small business pool, where it depreciates at 15% in the first year and 30% thereafter. Similarly, if your general small business pool balance is below $20,000 at year end, you can deduct it in full.

Key points

- You must be eligible for and apply the simplified depreciation rules.
- Some assets are excluded from simplified depreciation (for example, certain leased assets and assets allocated to low-value pools).
- The car limit can cap claims on passenger vehicles.
- Private use must be excluded from your deduction, and research and development use may affect eligibility.

If you're considering making asset purchases for your business, this extension, once passed, will provide an opportunity to bring forward investments while maximising your tax benefits. Always consult with your tax adviser to ensure you're making the most of this concession.

Source: www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/small-business-support-20000-dollar-instant-asset-write-off
https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2Fr7367%22

Unlock the benefits of downsizer super contributions

Are you nearing retirement and looking for ways to boost your superannuation savings? Downsizer super contributions might be the perfect solution for you! This unique opportunity allows eligible Australians aged 55 and over to contribute the proceeds from selling their home into their superannuation fund. Not only does this help you maximise your retirement savings, but it also offers potential tax benefits and financial flexibility.

In the 2024–2025 financial year alone, a remarkable 15,800 individuals took advantage of this strategy, contributing a total of $4.165 billion to their superannuation funds. On average, individuals contributed around $263,000 to $266,000. This growing trend highlights the popularity and effectiveness of downsizer contributions as a means to secure a comfortable retirement.

We'll explore the ins and outs of downsizer super contributions to provide you with all the information you need to get started.

What are downsizer contributions?

A downsizer contribution allows an eligible individual to contribute an amount equal to all or part of the sale proceeds (up to $300,000 each) from the sale of their home into their superannuation fund. The contribution must not exceed the sale proceeds of the home.

The great advantage is that downsizer contributions are not restricted by any other contribution caps or your total superannuation balance; there are no work tests; and there is no upper age limit. It's one of the rare ways you can contribute large amounts to your super even after the age of 75.

Downsizer contributions can also be used alongside other strategies. For example, someone under age 75 can potentially combine the following three strategies to contribute up to $690,000 to super in a single year, if eligible and if timed correctly:

- a $300,000 downsizer contribution; and
- up to $360,000 of personal after-tax contributions under the "bring-forward rule"; and
- up to $30,000 of personal deductible contributions.

Eligibility checklist

To make a downsizer contribution, you must:

- be 55 years or older at the time of contribution;
- have owned the home for 10 years or more (the owner can be you or your spouse);
- sell your home that is in Australia and is not a caravan, houseboat or mobile home;
- ensure the sale is exempt or partially exempt from CGT for you under the main residence exemption;

- make the contribution within 90 days of receiving the sale proceeds (usually settlement date);
- not have made a downsizer contribution previously from another home; and
- provide your super fund with the *Downsizer contribution into super form* (NAT 75073) either before or at the time of making the contribution.

Don’t forget the form!

Failure to submit the *Downsizer contribution into super form* on time may result in your fund rejecting the contribution or treating it as a standard non-concessional contribution, which could have adverse tax implications.

Timing is critical

The 90-day deadline from the date of settlement is strict. If you need more time (eg due to delays in purchasing a new home), you must apply to the ATO for an extension. Extensions are granted only in limited circumstances, such as settlement delays due to council approvals.

Seek advice

As always, seek professional advice to ensure this strategy is suited to your circumstances. An adviser can help explain the rules for specific circumstances, such as when a previous main residence has become your investment property or where you plan to apply for a social security benefit (your main residence is not counted for Centrelink means testing, but amounts in super accumulation are generally tested from the age of 67).

Source: www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/how-to-save-more-in-your-super/downsizer-super-contributions
www.ato.gov.au/about-ato/research-and-statistics/in-detail/super-statistics/downsizer-super-contributions-data

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