client alert | explanatory memorandum

September 2025

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 25 August 2025.

Understanding the new 20% student loan reduction

The Australian government's promise to cut student loan debts by 20% has now become law. If you're one of more than three million Australians who have a student loan, you're probably wondering what this means for you and when you'll see the benefits.

The *Universities Accord (Cutting Student Debt by 20 per cent) Act 2025* became law on 3 August 2025. The change isn't just about HECS-HELP loans – the 20% reduction applies to all types of student loans, including VET Student Loans, Australian Apprenticeship Support Loans, and even older schemes like the Student Financial Supplement Scheme. Combined with previous changes that capped loan indexation, the government says this measure will remove around $20 billion in total student debt.

Who gets the reduction?

If you had an outstanding student loan debt on 1 June 2025, you're eligible. The reduction is calculated on your debt balance as it stood on that date, before the annual indexation was applied. Even if you've made payments since June or completely paid off your loan after that date, you'll still receive the full 20% reduction based on what you owed on 1 June.

Here's where it gets interesting: if you've already paid off your loan since 1 June, the 20% reduction might actually put your ATO account into credit, potentially resulting in a refund to your bank account (provided you don't have other tax debts owing).

If you'd already paid off your student loan completely before 1 June 2025, unfortunately you won't benefit from the 20% reduction. The relief only applies to debts that existed on that date.

When will you see the changes?

The ATO is responsible for applying the change, and is currently updating its systems to process these reductions. Most people should see their 20% reduction applied before the end of 2025, though some complex cases might not be completed until early 2026.

You don't need to do anything to receive the reduction – it will be applied automatically. The ATO will notify you when it's been processed, and you'll be able to see your new lower balance through your myGov account or the ATO app.

Keep in mind that it's important you don't delay lodging your tax return while you wait for the change in your loan balance to appear in your MyGov account. There's no benefit in waiting, and you should continue with your normal tax obligations.

Remember to update your bank details with the ATO if you're expecting a potential refund, and if your loan gets paid off completely, don't forget to tell your employer to stop withholding additional amounts from your pay. You need to fill out a *Withholding declaration* to do this, either through your MyGov account or by downloading and printing a form from the ATO website to give to your employer.

What about repayments?

There's more good news beyond the debt reduction. From the 2025–2026 financial year, you won't need to make any compulsory repayments unless your income exceeds $67,000 (up from $54,435 in 2024–2025), and importantly, repayments are now only calculated on income above that threshold, not your total income.

For many people, this will mean smaller repayments or no compulsory repayments. If you're an employee, you should start seeing less tax withheld from your pay once your employer updates to the new tax tables, giving you more money in your pocket each payday.

Source: www.ato.gov.au/individuals-and-families/study-and-training-support-loans/study-and-training-loans-what-s-new www.education.gov.au/higher-education-loan-program/20-reduction-student-loan-debt

Productivity Commission recommends business tax reform

As part of a major review requested by the government to find ways to boost Australia's productivity and economic resilience, the Productivity Commission has released an interim report that recommends company tax reform aimed at encouraging businesses to invest more and help the economy grow.

The report, titled *Creating a More Dynamic and Resilient Economy*, notes that Australia has a relatively high company tax rate compared to similar countries, and suggests that the current system makes it harder for new and smaller businesses to compete with large established firms. Tax rules on claiming deductions for investments (like equipment or buildings) are complicated, making investment less attractive, and the system tends to favour companies that borrow (use debt) over those that raise money from investors (equity), which can disadvantage smaller businesses.

Reform recommendations

The Commission's interim report recommends a new approach to company tax, including:

- lowering the company tax rate for most businesses from the current 25% (for most small to medium businesses) or 30% (for larger companies) to 20% for all companies with annual revenue below $1 billion – only the largest companies (with over $1 billion in revenue) would stay on the 30% rate; and
- introducing a new net cashflow tax (NCT) of 5% on company profits; and
- allowing businesses to immediately deduct the full cost of investments (like equipment, technology or buildings) in the year they buy them, rather than spreading deductions over several years.

In combination, the aim of these measures is revenue neutrality – keeping the government's overall tax revenue steady while reducing the tax bill for most small and medium businesses and giving them more incentive to invest in new equipment, technology and growth.

When might changes happen?

Importantly, these are only draft recommendations in an interim report. The Productivity Commission is seeking public feedback until 15 September 2025 and will produce a final report with more refined recommendations by the end of the year.

The government would then need to consider, accept and legislate any changes. If adopted, reform measures could be phased in or introduced at once. So, there's currently no fixed date for when changes would take effect; at the earliest it could be sometime in 2026, depending on government decisions.

Government's response and next steps

Since the report's release, the government has responded cautiously. Treasurer Jim Chalmers acknowledged the tax reform proposals as "an important input" into policy discussions that would feed into the Economic Reform Roundtable in late August 2025, but hasn't endorsed or rejected the specific recommendations. He has emphasised that any reforms must be fiscally responsible, saying "all options [are] on the table" for tax reform provided they're budget-neutral or budget-positive.

Following stakeholder discussions at the August roundtable and review of public submissions to the Productivity Commission's inquiry, a final report is due by the end of 2025. No tax rate changes or new taxes have been adopted or ruled out yet.

For now, business owners should:

- *consider submitting feedback:* if you have views on how the recommended changes could affect your business, now's the time to respond to the interim report;
- *stay informed:* watch for updates after September 2025 and after the final report is released; and
- *plan carefully:* if you're considering major investments in your business, any changes could affect the timing and tax treatment – but until laws change, the current rules apply.

Source: www.pc.gov.au/inquiries/current/resilient-economy/interim

Your guide to the ATO super clearing house closure

If you're a small business owner who's been happily using the ATO's Small Business Superannuation Clearing House (SBSCH) to pay your employees' super, we've got some news that might make you reach for another coffee. The free service that's been making your life easier is closing down, and you'll need to find an alternative before July 2026.

Don't panic just yet – you've got time to sort this out, and there are plenty of options available. Let's break down what's happening and why.

What's actually happening?

The government has announced that the SBSCH will be shutting down as part of the new "payday super" reforms. Here are the key dates you need to know:

- *1 October 2025:* no new businesses can register for the SBSCH;
- *30 June 2026:* last day existing users can use the service; and
- *1 July 2026:* the SBSCH closes completely.

The closure coincides with new legislation that will require employers to pay super contributions at the same time as wages, rather than using the current quarterly system. Under these new rules, super contributions must reach your employees' funds within seven days of each payday.

Why is the ATO pulling the plug?

The short answer is that the SBSCH was designed for the old quarterly super payment system, and it simply doesn't fit with the new payday super world we're heading into. The government has stated that "improvements in payroll software solutions over recent years provides employers with cost-effective and more fit for purpose options for paying superannuation contributions on payday".

What's this mean for your business?

If you're one of the over 200,000 small businesses currently using the SBSCH, this change will impact you in several ways:

- *You'll need to find a new solution:* This is the big one. You'll need to research, select and set up a new way to pay super contributions well before the June 2026 deadline. The ATO is encouraging businesses to start this transition early rather than waiting until the last minute.
- *Costs might increase:* The SBSCH has been completely free to use. Many alternative solutions charge fees – whether that's a per-transaction cost, a monthly subscription or fees built into payroll software. This is probably the most concerning aspect for small business owners who've been enjoying the free service.
- *Timeframes will be tighter:* Under the new rules to commence from 1 July 2026, super contributions must reach funds within seven days of payday.
- *Your processes will change:* Instead of batching super payments quarterly, you'll need to integrate super payments into every pay run. This might mean learning new software or adjusting your current payroll processes.

While this might sound overwhelming, there are actually plenty of alternatives available, and many might even make your life easier once you get used to them. The key is starting your research early and not leaving it until the last minute.

Your options broadly fall into three categories:

- payroll software with built-in super payment features;
- clearing house services offered by super funds; and
- commercial clearing house providers.

Each has its own pros and cons depending on your business size, current systems and budget.

Payroll software with built-in super payments

If you're already using payroll software for wages, this might be your easiest transition. Many popular accounting packages now include super payment features that let you pay contributions directly through the same system you use for payroll.

For example, Xero users can activate "Auto Super" to pay all employee super contributions automatically through their platform. Similarly, MYOB offers "PaySuper" functionality built into its payroll module.

The beauty of these integrated solutions is that once you've run payroll, paying super can be as simple as clicking a button. No double-entry of data, no separate portals to log into – it all happens in one place.

Super fund clearing houses

Most super funds offer free clearing house services to employers. AustralianSuper's "QuickSuper" is a popular example – it's a free, online portal where you can pay contributions to all your employees' funds (not just AustralianSuper members) through one payment. Other major funds offer similar services.

These fund-sponsored clearing houses typically require you to register as an employer with that fund, but then you can manage contributions to multiple funds in one place. The main trade-off is that you'll need to use a separate web portal and either upload data from your payroll system or enter it manually.

Commercial clearing house providers

There are also independent commercial providers like SuperChoice, ClickSuper and Beam. These tend to offer more sophisticated features and can handle high volumes of transactions.

Commercial providers often charge fees – either per transaction, per employee, or as a monthly subscription – but they typically offer robust compliance features and reliable processing.

How to choose the right option

- *Start with what you already have*: If you're using payroll software, check if it has super payment functionality – this is often your simplest option.
- *Consider the costs*: Super fund clearing houses are typically free, while payroll software and commercial providers may charge fees. Factor in not just the direct costs, but the time savings from integration.
- *Think about your workflow*: Do you want everything in one system, or are you comfortable using separate portals? How many employees do you have, and how often do you pay them?
- *Check the support*: What happens if something goes wrong? Make sure your chosen provider offers decent customer service.
- *Check the Product Register:* Whatever you choose, make sure it's on the ATO's Product Register. This product register provides a randomised list of commercially available software products that have met security requirements. All products included on the register are authorised to use ATO digital wholesale services and send data directly to the ATO. Note, however, that the ATO does not recommend or endorse any of the products listed on this register.

Getting started

The ATO recommends starting your transition early – don't wait until 2026. This gives you time to test your new process and iron out any issues before the deadline.

Talk to your accountant or bookkeeper about what might work best for your business. You can also check the ATO's "How to pay super" webpage for updated guidance.

While losing the free SBSCH might seem like a hassle, many of the alternatives offer features that could actually improve your payroll processes and make your admin life easier in the long run.

Source: https://softwaredevelopers.ato.gov.au/product-register

www.ato.gov.au/businesses-and-organisations/small-business-newsroom/the-small-business-superannuation-clearing-house-is-closing

Looking to invest ethically? There's a lot to think about

If you're considering investing your money or your super in line with your values, you're certainly not alone. A growing number of Australians want their investment to reflect what matters to them, and the marketplace is responding with "socially aware", "responsible", "sustainable" or "ethical" options. But with so many choices and claims out there, how can you tell if a company or super fund's strategy genuinely lives up to what they're promising?

Understanding ESG

When researching ethical investments, you'll often come across the abbreviation "ESG". ESG means "environmental, social and governance", but different funds and companies may define ESG differently, and the term can cover a wide range of factors:

- *Environmental:* this might include pollution control, biodiversity protection, carbon emissions reduction, or sustainable agriculture;
- *Social:* this could encompass gambling exclusions, labour standards, diversity and inclusion, human rights, or military contracting policies;
- *Governance:* often covers board diversity, business ethics, whistleblower protection schemes and anti-bribery and corruption measures.

Because ESG can mean different things to different organisations, you'll need to very carefully examine each fund's investment strategy and product descriptions to understand the claims they are making and how their business practices align with those claims.

Key considerations when choosing ethical investments

Think hard about what you personally want to achieve with your investments. What ESG factors are most important to you? How much weight do you want to give those factors? This will give you a solid foundation to work from when you're comparing different products. When reviewing your options, pay close attention to the following:

- *ESG claims*: Look for clear, specific claims rather than vague, overarching statements. Does the fund or company have a plan to achieve their ESG or sustainability goals? How will progress be measured? Check company reports, market announcements or their website for information.
- *Clear definitions*: Be wary of vague terms like "green", "eco-friendly", "zero emissions" or "carbon neutral" without supporting details. Do you understand the ESG or sustainability-related terms the fund or company are using? Are they backed up with evidence?
- *Product label*s: Look at the description of the investment product or option and check if it matches your understanding.
- *Investment strategy details*: Every fund operates differently. Some funds may exclude products that don't meet certain ESG criteria (negative screening) or seek products that do meet a set ESG criteria (positive screening). Look for clear and detailed information about revenue thresholds, investment selection methodology, and which sectors or themes the investments are focused on.
- *Fees:* Higher fees may be charged for management of ESG investments when compared to traditional options, so make sure you understand the full fee structure.

Beware of "greenwashing"

You may have heard about "greenwashing" in the news. Greenwashing (or greenhushing) describes false or misleading claims made by companies or products to make them seem more environmentally friendly, sustainable or ethical than they are. Sometimes, information about specific investments that don't align with the expectations of ethically minded investors might also be omitted or obscured. An example of this might be a super fund that actively promotes a "socially aware" option that avoids investment in tobacco products, but invests in companies that earn revenue from tobacco products while not publicising this in its investment strategy.

Australian regulators are taking greenwashing seriously. ASIC and the ACCC (Australian Competition and Consumer Commission) have taken action against greenwashing misconduct. Enforcement actions have resulted in significant penalties, including $10.5 million against Active Super and $12.9 million against Vanguard Investments.

Information for consumers about ESG investing and how to spot potential greenwashing can be found on the Moneysmart, ACCC and ASIC websites. Financial advisers and responsible investment organisations can also help you match investment products to your specific values and financial goals.

Source: https://moneysmart.gov.au/how-to-invest/environmental-social-governance-esg-investing
www.asic.gov.au/about-asic/news-centre/inside-asic-podcast/#series2-episode3
www.accc.gov.au/business/advertising-and-promotions/environmental-and-sustainability-claims

Timing's everything: SMSFs and minimum pension payments

As an SMSF trustee, it's your responsibility to ensure that all members receiving an account-based pension are paid their minimum pension amounts by 30 June each financial year. If you don't meet the minimum pension payment amounts in full and on time, this could result in adverse tax consequences for the member.

Calculating the minimum pension payment

The minimum pension payment amount is calculated using the following formula that takes into account the member's age, their account balance, and the start date of the pension:

Minimum payment amount = account balance × percentage factor

The percentage factor is set according to your age on 1 July in the financial year the pension amount is to be paid (or the commencement date for a new pension that does not commence on 1 July). Once an income stream is started, minimum annual payments are calculated using your account balance on 1 July each year, multiplied by a percentage factor that increases as you age. The current percentage factor is 4% if you are under age 64, or 5% if you are 65 to 74 (percentages for other ages can be found on the ATO website).

Timing is everything

To ensure that the minimum pension standards are met, you must ensure that the minimum payment is received – as cash, a cleared cheque, or an EFT credit to a bank account account – before the financial year ends. If the end of a financial year falls on a weekend or a public holiday, as a trustee you must ensure that all payments are made in advance of 30 June, and the benefit payment must be recorded as debited from the SMSF's account and credited into the member's account.

You must make payments at least once per financial year, and the first payment must be made no later than the end of the financial year in which the pension commences.

Consequences of getting it wrong

Failing to meet the minimum pension standards means:

- the income stream will be taken to have ceased at the start of the year for income tax purposes;
- payments made during the year will be considered to be super lump sums for both income tax and super purposes and taxed accordingly;
- the fund won't be able to claim ECPI (exempt current pension income) for that year or subsequent years; and
- there will be transfer balance account consequences for the member.

To restart a member's payments, a new income stream will need to be recommenced, requiring asset revaluations, recalculations of the minimum pension payment, recalculation of the tax-free and taxable components of the new income stream, and new transfer balance account reporting.

Source: www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/paying-smsf-benefits/income-stream-pension-rules-and-payments

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