client alert

tax news | views | clues

Heading overseas? Centrelink and the ATO might need to know

If you're planning an overseas holiday, especially if you currently receive Centrelink or other government payments, a little prep will help you enjoy your trip without payment surprises or tax headaches.

Different government payments have their own rules about whether, and for how long, they're paid while you're outside Australia. Short trips for most families are usually fine, but longer absences can reduce, pause or stop certain payments. You must also keep meeting the usual eligibility tests (residency, income and assets) while you're away.

For instance:

- *Age Pension:* There may be changes to your payment rate after six weeks and after 26 weeks abroad.
- *Disability Support Pension (DSP):* You can receive DSP for up to 28 days in a 12-month period overseas. Extended stays may require special approval.
- *Family Tax Benefit:* Payments usually stop after six weeks overseas.
- *JobSeeker and Youth Allowance:* These typically stop as soon as you leave Australia, unless you have an approved reason. Youth Allowance or Austudy may continue if the time overseas is an approved part of your Australian course.

Tell Services Australia about your travel plans. Use myGov, the app, the relevant phone line or a service centre visit to share your dates, destination and reasons for travel.

Australia's border movement data is shared with Services Australia, so unreported travel changes can trigger a review or overpayment.

When you get home, check that any paused payments restart and your rates look right.

The tax side is simpler. A short holiday doesn't usually change your Australian tax residency, so nothing special happens to your tax just because you travelled. Centrelink payments are taxed the same way they are at home, and you'll lodge your next tax return as usual. There's no extra "travel tax", and if a payment pauses while you're overseas, you'll just have less taxable income for that period.

Longer absences are different: if you're going to be overseas for many months or moving, talk to us about residency, reporting arrangements and student loan obligations.

The ATO's new draft rules could change your holiday home tax claims

Do you own a holiday home that you sometimes rent out? The ATO has just released draft guidance that could change how you claim your holiday home rental income and expenses. The updates specifically target situations where properties are used mainly for personal holidays but owners still claim substantial tax deductions.

The tax law contains an "integrity rule" that stops you from deducting expenses for a property that's essentially for your personal use. The new draft guidance clarifies how to work out if your property's considered a holiday home under this rule, and how much you can legitimately claim.

The draft guidance also explains how you should declare rental income and claim deductions for rental properties, including holiday homes, addresses when a property is a "holiday home" for tax purposes and considers common scenarios like renting to family or friends at reduced rates.It outlines what the ATO considers fair and reasonable methods to split expenses between income-producing use and private use; for example, if your holiday home's rented out half the year and you use it for the other half, you can claim roughly 50% of general costs like interest, utilities and insurance as deductions.

Finally, the guidance introduces a traffic-light system of risk zones. “Amber” covers medium-risk scenarios where you rent the property but also use it personally for a significant part of the year. “Red” covers high-risk arrangements where the property’s mostly used by you or your family, with infrequent or non-commercial rentals. If you’re in the red, the ATO will suspect the property’s mainly a lifestyle asset rather than a genuine income-producing investment, and will be more likely to investigate or challenge your claims.

While these rules are drafts right now, the ATO plans to apply them retrospectively once they’re finalised, with a transitional compliance approach for arrangements in place before 12 November 2025.

Take an honest look at your holiday home usage and review your past claims. Improve your record-keeping by maintaining a log of rental periods, vacant periods and personal use dates. We can help assess how the rules might affect your specific circumstances and ensure you’re maximising your legitimate deductions while staying compliant with the ATO’s expectations.

FBT and tax considerations for end-of-year parties and gifts in your business

As the end-of-year season approaches, it’s a great time to celebrate with your employees and show appreciation for their hard work throughout the year. However, it’s essential to understand the potential tax implications, particularly concerning fringe benefits tax (FBT), when planning holiday entertainment or gifts for employees.

Here are some key points to consider when planning a festive work gathering:

- *Location and attendees:* If your party’s held on business premises during a working day and is only for current employees, you generally won’t have to pay FBT on food and drinks. If the event is off-site or includes employees’ associates, you might need to consider FBT, unless the cost per person is under $300 and deemed a minor benefit.
- *Entertainment and gifts:* If you provide gifts alongside the party, remember that gifts under $300 per person can also qualify as minor benefits, exempting them from FBT. If gifts exceed this amount, FBT may apply.
- *Including your clients:* Costs related to clients attending your event are not subject to FBT. This means you can invite clients without worrying about FBT implications for their expenses.

When it comes to calculating FBT on entertainment-related benefits, you have a few options:

- *Actual value method*: This involves calculating the actual cost of the entertainment provided to employees and their associates. If non-employees are involved, you need to apportion the costs accordingly. For example, for a dinner where employees and clients are present, only the employee-related portion is considered for FBT.
- *50:50 split method:* If you hire or lease entertainment facilities (like a function room), this method allows you to allocate 50% of the total entertainment leasing expenses to FBT, regardless of whether it’s for employees, clients or others. This can simplify calculations but might not always be the most cost-effective approach.
- *Meal entertainment valuation:* If the entertainment involves meals without recreational activities, you can use meal entertainment valuation methods. Options include the 50:50 split or the 12-week method, where you track meal costs over a period and determine the taxable portion related to employees. Both of these are based on your expenditure on all meal entertainment for all people during the FBT year.

Important considerations

- *Recordkeeping:* Maintain accurate records of all entertainment expenses, including costs (total and per-person), recipients and the calculation methods you’ve used. This documentation supports your FBT calculations and ensures compliance.
- *Tax deductions and GST credits:* Generally, if your event’s exempt from FBT, you can’t claim income tax deductions or GST credits for the associated costs.
- *Gifts to clients:* Gifts to clients aren’t typically subject to FBT. However, you may be able to claim a tax deduction for them, as long as they aren’t classified as entertainment.

Payday superannuation is law: make sure you’re ready

The “payday super” legislation, now passed by Parliament, significantly changes how superannuation will be paid. From 1 July 2026, employers must pay their employees’ super contributions within seven business days of payday, replacing the quarterly system.

Employers

Up to 30 June 2026, the existing super guarantee framework with quarterly due dates continues to apply. But from the first payday on or after 1 July 2026, each pay run carries a super obligation that must be met. Contributions will be considered “on time only” if the fund receives them within seven business days of the wage payment (an extended timeframe of 20 business days applies for some specific situations). Waiting until the end of the month or end of the quarter to “catch up” will no longer be within the law.

When errors occur, whether because of a missed pay cycle, incorrect fund details or a processing failure, the updated super guarantee charge rules will generally apply more quickly.

Small businesses using the Small Business Superannuation Clearing House will also need to choose and implement an alternative arrangement before that service closes alogether on 1 July 2026.

Otherwise, the super guarantee rate (12%) and many basic coverage rules aren’t changing. The real shift is timing and ATO enforcement.

As an employer, if you haven’t started reviewing your technology and processes in anticipation, now’s the time to start. Software providers, payment intermediaries and super funds will all face challenges.

A useful question is, “If you had to pay super every pay cycle tomorrow, could your current processes cope?” If the answer is no (or not without manual workarounds), there’s work to do. That may include confirming your payroll software calculates super correctly on each pay and whether it can generate SuperStream-compliant payment files or connect directly to a clearing house, and deciding when in the pay cycle super payments will be initiated.

Cash flow is another aspect to consider. Under payday super, many businesses will move from paying four large super instalments per year to paying many smaller instalments. Businesses with tight or seasonal cash flow may need to revisit their planning.

Employees

From 1 July 2026, employees should start seeing super contributions credited to their accounts after each pay rather than quarterly. Payslips will continue to show super guarantee amounts, and it will be easier for employees to compare payslip amounts with what appears in their super fund or myGov.

Employees will still need to keep their super fund details up to date with their employers, particularly when starting a new role, and periodically check their super statements. Beyond that, it will be up to employers to comply with payday super.

Super on government-funded paid parental leave: year-end planning

The Australian Government will begin paying superannuation contributions from 1 July 2026 for people who receive government-funded paid parental leave from 1 July 2025. This aims to improve retirement outcomes for parents, particularly women, who often experience reduced superannuation growth when they take time out of the workforce for parenting.

Paid parental leave super applies for parents of children born or adopted on or after 1 July 2025. The government contributes superannuation to the employee’s nominated fund at the superannuation guarantee rate of 12% (plus an interest component).

These super contributions aren’t paid at the same time as the paid parental leave income. The ATO will pay them after the end of the financial year when the parent received paid parental leave income. The first contributions are expected from July 2026, covering paid parental leave received during 2025–2026.

The contributions are taxed within the fund at 15% and count towards the individual’s concessional contributions cap, in the same way as employer superannuation guarantee contributions.

Employers aren’t required to fund or process these super contributions, but they may still affect financial and workforce planning.

Workforce costs and retention planning

Government-funded paid parental leave super doesn’t appear in your payroll costs, but some employers may choose to pay super on employer-funded parental leave or expand existing entitlements to stay competitive. These decisions can influence remuneration strategy and budgets for 2026–2027.

Attracting and retaining employees

Paid parental leave benefits – including how employers top up or complement the government scheme – are increasingly visible to job seekers and staff. As you review year-end HR reports, check whether your parental leave offering remains competitive and clearly communicated.

Staff planning and communication

Employees who’ve taken or planned paid parental leave during 2025–2026 may ask whether they’ll receive super, when it will be paid and how it interacts with their existing super and caps. Clear internal guidance helps managers and HR answer questions confidently and plan for staffing and backfill arrangements.

Compliance clarity

There’s potential for confusion between employer-funded super (currently paid at least quarterly and not compulsory on employer-funded parental leave) and government-funded paid parental leave super paid annually by the ATO. Ensuring your policies and communications clearly distinguish between these two streams can help reduce misunderstandings.