client alert | explanatory memorandum

February 2026

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 27 January 2026.

Support for rebuilding after natural disasters

Australia experiences multiple natural disasters every year and if you've lost your home, property or business to a natural disaster, knowing what to do next can be daunting. The good news is there's help available to help you navigate the recovery process.

Where to begin

Once the immediate threat has passed and you're safe, these steps can help you get started.

Look for government assistance

The Federal Government and state and territory governments work together to provide support where natural disasters have been declared. Visit the National Emergency Management Agency website for links to state or territory disaster recovery websites, which provide natural disaster updates and resources specific to your area.

Disaster assistance payments may be available to you in officially declared disaster events. The Australian Government Disaster Recovery Payment (AGDRP) is a one-off non-means tested payment of $1,000 per eligible adult and $400 per child, while the Disaster Recovery Allowance (DRA) provides short-term income support for up to 13 weeks to eligible individuals. You can find information about Federal assistance on the Services Australia website or the government site www.business.gov.au.

Contact your insurance company

Do this as soon as you can, ideally within 24 hours. Most insurers have emergency hotlines and may offer emergency cash advances within days or temporary accommodation funds if your home is uninhabitable. If you've lost your policy documents, the Insurance Council of Australia can help you identify them. Contacting your insurers early means they can help you understand the process of making a claim and what evidence to gather when it's safe to do so.

Call your bank

Major Australian banks have hardship teams that can pause loan repayments, waive fees or temporarily extend credit. Don't wait until you've missed a payment – early communication protects your credit rating and opens doors to assistance. Keep your bank updated regularly over the following months as you move through the recovery process.

Don't fall prey to disaster chasers

"Disaster chasers" are individuals or companies who target areas hit by natural disasters. They typically approach you through unsolicited door knocks, phone calls, text messages, letterbox drops or targeted online advertisements, claiming to offer quicker, cheaper or specialised repair services.

While some offers may be legitimate, high-pressure sales tactics could end up costing you significantly more than going through proper channels like your insurance company. Be wary of anyone who offers "today-only" deals, demands money upfront or immediate contract signing, asks you to sign anything that prevents direct communication with your insurer, or claims to be from your insurance company without prior notification.

Get help to create a recovery plan

Disaster recovery involves complex interactions between insurance, government assistance and debt management. Reach out to your financial or tax advisers to help you create a recovery plan.

Recovering from a natural disaster takes an emotional toll as well as a financial one. Remember, you don't have to do this on your own – seek support from your GP, your community or crisis support services like Lifeline (13 11 14) or Beyond Blue (1300 22 4636).

Beware of donation scams

If you're looking to help those affected, only make donations for disaster relief to reputable charities. For example, some state governments partner with organisations like GIVIT to support affected communities. Scammers often impersonate well-known charities through door-knocking or cold-calling, and create fake websites and social media pages to deceive you in the wake of a disaster. You can verify a charity's registration on the Australian Charities and Not-for-profits Commission website, and report suspected scams to Scamwatch.

Source: www.nema.gov.au/recover

Student loan debts: what you need to know about the latest changes

If you're among the more than three million Australians with a student loan, there's welcome news that could significantly lighten your financial load. A major debt reduction has been rolled out, alongside changes to how and when you repay your loan. Understanding these changes could put thousands of dollars back in your pocket and reduce your annual repayments.

The 20% debt reduction explained

The Australian Government's legislation to reduce student loan debt by 20% is now being applied, with the ATO having commenced processing the reductions.

The 20% reduction is applied to your student debt balance as at 1 June 2025, before indexation was applied, with the 2025 indexation recalculated on the reduced debt amount. This means if you had a debt of $27,600 on that date, approximately $5,520 will be wiped from your balance.

The reduction applies to all types of student loans, including:

- HELP loans (including HECS-HELP, FEE-HELP, STARTUP-HELP, SA-HELP and OS-HELP);
- VET Student Loans;
- Australian Apprenticeship Support Loans;
- Student Startup Loans; and
- other student support loans.

The good news is that you don't need to take any action. Most people were due to receive their reduction before the end of 2025; however, more complex reductions may not be processed by the ATO until early 2026. The ATO will notify individuals when it has applied the 20% reduction to their loan account, with the notification sent via SMS, email or your myGov inbox.

You should continue to lodge your tax returns as usual. There's no benefit in delaying lodgment, as the reduction is based on your debt balance as at 1 June 2025.

Understanding potential refunds

If your loan account is in credit after the reduction is applied, you may receive a refund. If you have outstanding tax or other Commonwealth debts, the ATO will apply your credit to these debts first. Your refund will then be sent to your nominated bank account, so make sure your bank details are up to date to avoid any delays.

Changes to repayment thresholds

From 1 July 2025, significant changes have been made to how student loan repayments work. The minimum repayment income needed to make a compulsory repayment has increased to $67,000 for the 2025–2026 income year (from $54,435 in 2024–2025).

Compulsory repayments have moved to a marginal repayment system, meaning they're only calculated on the part of your income above $67,000 (instead of your total repayment income). This is a significant change that will reduce annual repayments for most people. For example, someone earning $70,000 will save approximately $1,300 per year in repayments.

If your repayment income is $179,286 or more, your compulsory repayment will continue to be 10% of your total repayment income, meaning you won't be worse off because of the shift to marginal rates.

2025–2026 repayment thresholds and rates

Repayment income	Repayment on this income
$0 – $67,000	Nil
$67,001 – $125,000	15c for each $1 over $67,000
$125,001 – $179,285	$8,700 plus 17c for each $1 over $125,000
$179,286 and over	10% of your total repayment income

Tax implications

These changes have important tax implications. If you're an employee, you may have less tax withheld from your pay towards a compulsory repayment. Any additional amounts already withheld may be refunded to you when you lodge your 2026 tax return, provided you have no outstanding tax or other Commonwealth debts.

If you pay tax in instalments, these changes won't be applied until 1 July 2026. You'll receive any extra tax you paid in the 2025–2026 income year as a refund in your 2026 tax assessment, if you have no outstanding debts.

Source: www.ato.gov.au/individuals-and-families/study-and-training-support-loans/study-and-training-loans-what-s-new

Beware of pump and dump investment schemes

Late 2025 saw a concerning surge in "pump and dump" schemes targeting Australian investors, with ASIC reporting a notable rise in complaints to the regulator. If you've been active in the markets recently, particularly with small-cap stocks, you need to be aware of these increasingly clever scams that could cost you thousands.

What are pump and dump schemes?

Pump and dump operators are unscrupulous actors who artificially inflate share prices through false rumours and misleading information, then sell their own holdings at the peak, leaving unsuspecting investors with worthless shares. These schemes specifically target small-cap securities with low liquidity because even minor announcements can dramatically impact their share prices.

The recent surge

ASIC has reported a notable rise in pump and dump activities targeting Australian investors. International regulators, including New Zealand's Financial Markets Authority and the United States' Financial Industry Regulatory Authority, have also issued warnings about similar schemes in their jurisdictions.

The sophistication of these operations has reached alarming levels. Criminal gangs are now:

- hacking brokerage accounts to conduct unauthorised trades;
- exploiting different regulatory regimes in cross-border transactions;
- using fraudulent celebrity endorsements to build credibility;
- directing victims to private messaging apps like WhatsApp; and
- targeting investors through sophisticated social media advertising.

How these scams work

The process typically follows a predictable pattern. Scammers identify thinly traded stocks, then flood social media platforms, online forums and messaging apps with false information designed to create excitement and urgency around the investment. They might use fake celebrity endorsements, paid advertisements that appear high in search results, or coordinate multiple "finfluencer" endorsements to create the illusion of genuine market buzz.

Once momentum builds and the share price rises, legitimate traders who watch for small-cap opportunities often join in, further inflating the price. At the peak, the original scammers sell their holdings and disappear, leaving everyone else with rapidly declining shares.

The financial impact

The consequences are severe. ASIC research from 2022 estimated that retail investors were losing $6.3 million per month from potentially pumped events. The FBI has reported a 300% increase in victim complaints about these scams over the past year, affecting both stocks and cryptocurrency assets.

Warning signs to watch for

Several red flags should immediately raise your suspicions:

- unsolicited marketing creating urgency around specific investments;
- sudden rushes of commentary about little-known investments across multiple forums;
- social media advertisements directing you to private chat groups;
- fake celebrity endorsements or testimonials;
- strange market behaviour, such as sudden price spikes in typically stable investments; and
- claims of "inside information" or "guaranteed returns".

Protecting yourself

Before making any investment decision, especially in small-cap stocks, take time to verify the information independently. Check the company's official announcements, research its financial position and be particularly wary of investments promoted through social media or unsolicited communications.

If you suspect you've encountered a pump and dump scheme, report it immediately to Scamwatch, the ATO or ReportCyber. Quick reporting can help protect other investors and assist authorities in their investigations.

Given the recent surge in these sophisticated schemes, now is the perfect time to review your investment approach and ensure you have proper safeguards in place.

Source: www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-316mr-pump-and-dump-scammers-put-regulators-on-high-alert/

Don't miss out this year: GST credits, fuel tax credits and your BAS

As 2026 kicks off, it’s a good time to make sure your business isn't missing out on valuable GST and fuel tax credits, and you’re not caught off guard by upcoming Business Activity Statement (BAS) deadlines.

GST credits

GST credits (input tax credits) are GST amounts you've paid on business purchases that you can get back, as long as you meet the requirements. If you buy something for your business and it includes GST, you can claim a credit on your BAS for that GST to reduce the amount owed to the ATO.

Only GST-registered businesses can claim GST credits, and you can only claim credits for goods or services used in running your business (not for personal expenses). The supplier must have charged you GST as part of the purchase price, and for purchases over $82.50 (including GST) you need a valid tax invoice.

Importantly, there's a time limit for claiming GST credits. Credits expire four years after the BAS due date for the period when you first could’ve claimed them. After that you miss out, so remember to review older expenses within the four-year window.

Fuel tax credits

Fuel tax credits are another way to put money back into your business. When your business uses eligible fuel in certain vehicles, machinery or equipment for work, you can claim a credit on your BAS for the fuel tax (excise) already built into the fuel price.

You need to register for fuel tax credits (as well as registering for GST). Fuel tax credit rates are indexed twice a year, and different activities have different rates.

Not all fuel use is eligible, and vehicle and machinery types matter. For example, fuel used in passenger cars or light vehicles on public roads doesn’t qualify for credits, because the government already reduces that excise with a road-user charge.

Like GST credits, fuel tax credits have a four-year time limit. Eligibility expires four years after the BAS due date for the period when you could first have claimed the credits.

Your tax agent can help you assess whether fuel used in your business equipment or heavy vehicles is eligible for fuel tax credits, what rates apply, and whether you should claim by correcting a past BAS or including missed credits in your next BAS.

BAS dates

Staying on top of your BAS gives you peace of mind and helps you avoid late lodgment penalties, so start gathering invoices, receipts and other records now. Lodging early means you'll also get cash back sooner if you're due a refund.

Here are the key upcoming dates:

- *21 January:* due date for monthly reporters to lodge and pay the December 2025 BAS. There's an extension until 21 February 2026 for small businesses (turnover up to $10 million) lodging their BAS through a tax agent online.
- *28 January:* deadline to make superannuation guarantee (SG) contributions for the October to December 2025 quarter. If your employees' super payments aren't in their funds by this date, you'll have to lodge a superannuation guarantee charge statement and pay the SG charge, interest and admin fees.
- *28 February:* due date for quarterly reporters to lodge and pay the October to December 2025 BAS. The one-month small business extension for the December quarter is already built into this date, so no further extensions are available.

Don't wait until the last minute to sort out credits or lodge returns. Starting the year right will save you headaches later, and you can unlock some business cash flow in the process.

Source: www.ato.gov.au/law/view/document?DocID=MXR/MT20241/NAT/ATO/00001&PiT=99991231235958 www.ato.gov.au/businesses-and-organisations/business-bulletins-newsroom/act-early-protect-your-gst-and-fuel-tax-credit-entitlements

The ATO's latest playbook for SMSF education directions

Running a self managed superannuation fund (SMSF) gives you control over your retirement savings, but it also means you're responsible for following complex rules. When things go wrong, the ATO has various tools at its disposal, and education directions are becoming an increasingly important part of its approach.

What are education directions?

An education direction is essentially the ATO's way of sending you "back to school" when you've broken superannuation rules. Instead of immediately hitting you with heavy penalties, the ATO can require you to complete an approved course about your trustee responsibilities.

Think of it like being sent to a driver safety course after a traffic offence – the aim is to improve your understanding so you don't repeat the mistake.

When might you receive one?

The newly published Practice Statement PS LA 2026/1 clarifies when the ATO will use this tool. You might receive an education direction if:

- your SMSF has breached superannuation rules;
- the ATO believes your lack of knowledge contributed to the mistake;
- the breach wasn't malicious or fraudulent; and
- you haven't received an education direction before.

Common contraventions that might trigger an education direction include making loans to members, accessing super early, exceeding investment limits or failing to separate your personal assets and fund assets.

What you must do

If you receive an education direction, you must:

- complete the specified course within the given timeframe;
- provide evidence of completion to the ATO; and
- sign or re-sign your trustee declaration within 21 days.

This isn't optional. Failing to comply results in penalties of up to 10 penalty units (potentially thousands of dollars in fines) and could lead to more serious consequences like trustee disqualification.

Not everyone gets a second chance

The ATO won't offer education directions in all situations. If you're a repeat offender or an experienced professional who should know better, or if the breach is serious or deliberate, you'll likely face harsher penalties instead.

Importantly, even if you weren't directly involved in the breach, you can still receive an education direction if you were a trustee when it occurred. All SMSF trustees are jointly responsible for compliance.

The bigger picture

Education directions represent the ATO's preference for rehabilitation over punishment, at least for first-time offenders. They help maintain the integrity of the superannuation system by ensuring trustees understand their obligations.

However, this is typically a one-time opportunity. The practice statement makes it clear that trustees involved in repeat contraventions will face tougher responses.

Take action now

If you're running an SMSF, don't wait for problems to arise. Take advantage of the ATO's online education modules to understand your responsibilities; stay informed about rule changes; and maintain good records.

If you do receive an education direction, treat it as an opportunity to improve rather than as a punishment. Complete the required course promptly and use it as a chance to strengthen your knowledge.

Source: www.ato.gov.au/law/view/document?docid=PSR/PS20261/NAT/ATO/00001

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