client alert | explanatory memorandum

November 2026

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 26 October 2026.

HELP repayments now work differently

Compulsory repayments for HELP and other study and training loans moved to a marginal repayment system from the 2025–2026 income year.

For many people the new calculation will produce a lower compulsory repayment than would have applied under the previous system, but the change also makes it worth revisiting some fundamentals, particularly what counts as repayment income and why amounts withheld through payroll may not match the compulsory repayment eventually calculated.

How the marginal system works

Under the previous system, once a person's repayment income reached the relevant threshold, a percentage was generally applied to their total repayment income. The marginal system instead generally calculates the repayment on income above the minimum threshold, with different calculations applying as repayment income increases.

For 2026–2027, the repayment bands are:

- $0 to $69,528: no compulsory repayment;
- $69,529 to $129,717: 15 cents for each $1 above $69,528;
- $129,718 to $186,050: $9,028 plus 17 cents for each $1 above $129,717; and
- $186,051 and above: 10% of total repayment income.

For example, someone with repayment income of $80,000 falls within the first marginal repayment band. Their compulsory repayment is calculated on the amount above $69,528, rather than by applying a percentage to the whole $80,000.

The move to marginal rates can make a substantial difference. In 2025–2026, when the minimum threshold was $67,000, someone with repayment income of $80,000 had a compulsory repayment of $1,950 under the new system. Under the previous system, their repayment would have been $2,800.

Repayment income and PAYG withholding

The repayment threshold applies to *repayment income*, which isn’t necessarily the same as salary or taxable income.

For these purposes, repayment income takes into account:

- taxable income, excluding any assessable First Home Super Saver released amount;
- reportable fringe benefits;
- total net investment losses, including net rental losses;
- reportable super contributions; and
- exempt foreign employment income.

A person whose taxable income is below the minimum threshold could therefore still have repayment income above it once the other relevant amounts are taken into account. Changes in circumstances can matter too. For example, reportable fringe benefits, super contributions or investment results may affect repayment income and, in turn, the compulsory repayment.

There can also be confusion about amounts withheld from an employee's pay. Employees who've told their employer about a study or training loan may have additional amounts withheld from their salary or wages during the year. It's important to note – and advisers may need to explain to clients – that the withholding isn't itself the compulsory repayment. The compulsory amount is worked out through the tax system using the person's repayment income for the financial year. This explains why the additional amounts withheld from someone's pay won't necessarily match the compulsory repayment calculated when their tax return is lodged.

Voluntary repayments

Voluntary repayments also need to be considered separately. A voluntary repayment doesn't necessarily reduce the compulsory repayment calculated for the same year. If a person still has an outstanding study or training loan and their repayment income gives rise to a compulsory repayment, them having made a voluntary repayment doesn't reduce the compulsory amount calculated under the usual rules.This is worth making clear to clients who may be considering making an extra repayment, because the two types of repayment operate separately.

The practical point for advisers is to look beyond a client's headline salary or taxable income when discussing their likely repayment. Understanding what feeds into repayment income can help explain both the eventual compulsory repayment and why it may differ from the amount someone expected based on their payslips.

Source: www.ato.gov.au/tax-rates-and-codes/study-and-training-loan-minimum-repayment-income-and-rates

Monthly PAYG instalments could become an option

The Federal Government announced changes to PAYG instalments in the 2026–2027 Federal Budget as part of a broader move towards making income tax instalments more responsive to business conditions. One proposal would allow more businesses to choose monthly PAYG instalments from 1 July 2027. A separate measure would allow the ATO to require monthly instalments from taxpayers with a history of non-compliance.

The measures aren't yet law. Treasury released exposure draft legislation dealing with monthly PAYG instalments for consultation, which closed on 28 September 2026. The eventual rules may therefore differ from the exposure draft.

PAYG instalments are prepayments towards a taxpayer's expected income tax liability on business and investment income. Most taxpayers in the system currently pay quarterly, although payment frequency depends on their circumstances. The instalments paid during the year are credited against the income tax liability when the tax return is assessed.

Choosing monthly instalments

Under the exposure draft, quarterly and annual payers would be able to choose to move to monthly instalments.

Timing would matter. A taxpayer wanting monthly instalments to apply for an income year would generally need to notify the ATO before that income year begins. A notification made after the start of the relevant income year would generally not take effect until the following income year.

The same principle would apply to moving back from monthly instalments. A taxpayer who remained eligible to pay quarterly or annually would generally need to notify the ATO before the beginning of the income year in which they wanted the change to take effect.

For some businesses, monthly payments could provide a closer alignment between tax payments and the way cash moves through the business. For others, increasing the payment frequency could add administrative work or put more regular pressure on cash flow. Those practical consequences are likely to matter when deciding whether to opt in if the measure becomes law.

Compulsory monthly payments for non-compliance

The exposure draft also proposes to give the ATO a new power to require monthly PAYG instalments where it's satisfied that a taxpayer has a history of failing to comply with their tax obligations. Under the draft rules, the ATO would give the taxpayer written notice of its determination and the reasons for it. A determination would generally take effect from the beginning of the income year after the year in which it was made.

A taxpayer could apply to have the determination revoked. The draft also provides objection rights where the taxpayer disagrees with a determination or with a refusal to revoke one.

This compulsory element is distinct from the proposed voluntary monthly system, so advisers should avoid using language with clients that could suggest businesses generally will be moved to monthly PAYG instalments.

The government has also announced a related “dynamic PAYG instalments” initiative, intended to allow participating businesses to vary instalments through approved accounting software so payments respond more quickly to business conditions. That measure is also proposed to commence from 1 July 2027 and isn't yet law.

For now, advisers don't need to change clients' PAYG arrangements because of these proposals. If the legislation progresses, the practical questions will include whether monthly payments suit a particular business's cash flow and administration, and whether the final rules change any of the timing or eligibility requirements in the exposure draft.

Source:
https://budget.gov.au/content/bp2/download/bp2_2026-27.pdf
https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/dynamic-pay-as-you-go-instalments-making-tax-simpler-for-businesses
https://consult.treasury.gov.au/c2026-798896
https://ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/payg-instalments/starting-payg-instalments

Is your side hustle becoming a business?

The ATO has recently updated its guidance on when an activity amounts to carrying on a business, with particular attention to content creators and people selling goods or services online. The guidance is timely given the number of ways people can now earn money outside their regular employment, but the underlying principles apply much more broadly.

One distinction worth drawing out for clients is that the choice isn't simply between “business” and “hobby”. An activity may be a business, an income-producing activity that doesn't amount to carrying on a business, or a genuine hobby or recreational pursuit. The tax consequences differ between those categories, and an activity can also move from one category to another as it develops.

When does an activity become a business?

There's no single factor that determines whether an individual, partnership or trust is carrying on a business. The ATO says the relevant factors need to be considered together, with the answer depending on the overall impression of the activity.

Relevant considerations include whether:

- there is an intention and reasonable prospect of making a profit;
- the activity has a significant commercial purpose or character;
- activities are repeated and continuous;
- the size and scale are consistent with a business;
- the activity is planned, organised and carried out in a business-like way; and
- the activity has moved beyond a hobby or recreational pursuit.

No single indicator decides the question, and not every factor needs to be present. A relatively small operation isn't necessarily a hobby either. For example, the ATO's updated content-creator guidance notes that a modest audience or revenue doesn't automatically prevent an activity from being a business if the person's overall activities have a commercial character.

The point at which a business begins can also matter. The ATO says that merely intending to start a business isn't enough. Broadly, a person needs to have made the decision to start, acquired the minimum assets needed to operate and begun the business activities. For something that began as a hobby, reassessment may be needed if the person later starts actively trying to monetise it or otherwise changes the activity substantially.

“Not a business” doesn't necessarily mean “not taxable”

This is probably the most useful distinction to raise with people who earn money from side activities.

Someone may carry on an income-producing activity without carrying on a business. The amounts received may still be assessable income and need to be declared, even though business obligations such as ABN or GST registration don't apply merely because income is being earned.

By contrast, receipts from a genuine hobby or recreational pursuit are generally not assessable, and associated expenses aren't deductible. For online sellers, the ATO also distinguishes casual sales of unwanted personal belongings that were originally acquired for private use rather than resale.

Content creation adds another dimension because income isn't necessarily paid in cash. Advertising revenue, subscriptions, sponsorships, affiliate marketing and brand collaborations are obvious examples, but products, travel, accommodation, services or other non-cash benefits received in connection with commercial activities may also need to be considered.

Once an activity does amount to carrying on a business, the person will need to report business income, keep appropriate records and consider the registrations and other obligations that apply. Depending on the circumstances, this may include obtaining an ABN and, where the relevant requirements are met, registering for GST.

The practical issue is therefore not simply whether someone calls what they're doing a “side hustle”. It’s what they're actually doing, why they're doing it and how the activity has developed. Someone who began selling or creating content casually may need to revisit the tax treatment as the activity becomes more regular, organised or commercially focused.

Source: www.ato.gov.au/businesses-and-organisations/small-business-newsroom/could-your-online-activity-be-a-business
www.ato.gov.au/businesses-and-organisations/starting-registering-or-closing-a-business/starting-your-own-business/are-you-in-business/are-you-in-the-business-of-content-creation
www.ato.gov.au/businesses-and-organisations/starting-registering-or-closing-a-business/starting-your-own-business/are-you-in-business/are-you-in-the-business-of-online-selling

What could retirement look like for future generations?

Treasury’s *2026 Intergenerational Report* (IGR) provides a long-term look at how demographic, economic and other trends could affect Australia and the federal budget over the next 40 years.

For advisers discussing retirement with clients, two aspects are particularly useful: the growing role compulsory superannuation is expected to play in retirement incomes, and the substantial difference housing circumstances can make to financial wellbeing in retirement.

It’s important to put the figures in context. The IGR contains long-term projections based on assumptions about how Australia may develop. They aren’t forecasts of what an individual client’s retirement will look like.

Super is expected to play a bigger role

As Australia’s compulsory super system matures, more people will retire after receiving compulsory super contributions over a substantial part of their working lives.

The median super balance for people aged 65 to 69 increased from $115,000 in 2014 to $204,000 in 2024. Treasury projects that median balance to approach $450,000 by 2037 in nominal terms. That doesn’t mean today’s workers should expect to retire with $450,000. It’s a system-level projection for the median balance among people aged 65 to 69, and individual outcomes will vary considerably.

The maturing super system is also expected to change the balance between private savings and government income support. The proportion of people aged 67 and over receiving the Age Pension or another pension or income-support payment is projected to fall from 66% in 2025–2026 to 52% by 2065–2066. Age and Service Pension expenditure is also projected to decline from 2.3% to 1.8% of GDP over that period, even as Australia’s older population grows.

Housing and the Age Pension change the retirement picture

The IGR draws attention to the relationship between housing and financial wellbeing in retirement. It cites research showing that 11% of retired homeowners live in poverty, compared with 67% of retirees who rent privately. Housing costs also make up around 40% of expenditure for retiree renter households. These

figures underline why two people with similar super balances may nevertheless face very different financial circumstances in retirement.

Home ownership itself isn't part of the super system, of course, and the IGR figures shouldn't be turned into a recommendation that a particular client should buy property. Their value for advisers is in showing why retirement discussions may need to look beyond the size of a person's super balance.

Another useful point is that the projected decline in pension reliance is gradual rather than absolute.

Even in 2065–2066, Treasury projects that 52% of people aged 67 and over will receive an Age Pension or another pension or income-support payment. The retirement income system is therefore projected to continue combining compulsory super, private resources and government support rather than moving entirely towards self-funded retirement.

Retirement outcomes will still be personal

The broad outlook in the IGR is positive in some respects. A mature compulsory super system is expected to leave future retirees with substantially larger super balances and reduce reliance on the Age Pension, but those population-level trends can hide substantial differences between individuals. Housing circumstances are one example, and a person's income needs, super balance and other assets will also affect their position.

For advisers, the IGR provides useful context for conversations about retirement rather than a template for retirement planning. Tax and super questions can sit alongside broader investment, housing and retirement-income decisions where appropriately licensed financial advice may be needed.

Source: https://treasury.gov.au/publication/2026-intergenerational-report

SMSF record-keeping beyond the bank feed

Digital accounting systems and automated data feeds have simplified many aspects of SMSF administration, but they haven't replaced the trustee's underlying record-keeping obligations. The ATO updated its SMSF record-keeping guidance on 12 October 2026 and now expressly addresses a misconception that can arise when funds use data feeds: the auditor still needs the SMSF's bank statements for the annual audit.

A data feed can be used to support audit work, but the auditor must still obtain the bank statements. Among other things, these help establish that the account exists and belongs to the SMSF, confirm the balance reported in the financial statements at 30 June and allow the auditor to check that the data feed is complete and accurate.

That distinction is useful when talking to SMSF trustees. Automated transaction data may make bookkeeping and reconciliation easier, but it doesn't necessarily provide the documentary evidence needed to establish what a transaction represents or whether the fund has met its tax and super obligations.

Different records, different retention periods

The ATO divides SMSF record-keeping requirements into financial records that generally need to be retained for at least five years and trustee records that generally need to be retained for at least 10 years.

The five-year category includes accounting records that explain the SMSF's transactions and financial position, annual operating statements and statements of financial position, and documents showing decisions about the type of benefit payment made and the account from which it was paid. Trustees also need to retain copies of SMSF annual returns and supporting material dealing with matters such as deductions, capital gains and losses, the generation of fund income and tax calculations.

Other five-year records include lodged transfer balance account reports, certain other statements required by the ATO or other super funds and evidence supporting any early release of super under a condition of release.

Governance records generally have a longer life. Records that need to be kept for at least 10 years include minutes of trustee meetings and decisions, records of changes to trustees or directors of a corporate trustee, relevant trustee declarations, written consents to appointment and copies of reports provided to members.

These requirements are a useful reminder that record-keeping isn't confined to the fund's financial transactions. Records of trustee decisions can be important evidence of how the fund has been managed, including decisions about matters such as investments and pensions.

Valuations need supporting evidence too

Bank statements and transaction feeds also shouldn't be confused with evidence supporting the market value assigned to an SMSF's assets. SMSF trustees must value fund assets at market value when preparing the fund's annual financial statements and accounts. Where requested, trustees need to provide the auditor with relevant, objective and supportable evidence substantiating those valuations. The auditor, in turn, must obtain sufficient appropriate audit evidence before forming an opinion on whether assets have been reported at market value.

This can require particular attention where a fund holds assets such as real property, unlisted shares or units in unlisted trusts. The appropriate evidence will depend on the asset and circumstances, so a bank transaction showing what the SMSF originally paid for an asset won't necessarily establish its current market value.

For trustees, the broader message is fairly simple: technology can streamline the administration of an SMSF, but it doesn't remove the need to retain the underlying evidence. Keeping financial, governance and valuation records organised as the fund operates is considerably easier than discovering at audit time that important supporting documents are missing.

Source: www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/smsf-administration-and-reporting/smsf-record-keeping-requirements
www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/setting-up-an-smsf/set-up-your-smsf-bank-account
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