



# Year-end tax planning

What you need to know  
for 30 June 2026

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Partners

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## What we are covering today



Individuals



Trusts



Companies



General  
considerations



# Individuals

Year end tax planning considerations



# Individuals

## Tax rates and thresholds

2025-26

Rate	Band
Nil	\$0 – \$18,200
16%	\$18,201 – \$45,000
30%	\$45,001 – \$135,000
37%	\$135,001 – \$190,000
45%	\$190,001 and over
Low income tax offset	Up to \$700

Rates all exclude the Medicare Levy



# Individuals

## Value of franking credits for 2025 and 2026 – residents

**Maximum dividend** that can be paid before top-up tax required

*For years 2025 and 2026*

	<b>Tax rate 30%</b>	<b>Tax rate 25%</b>
Dividend	139,432	98,700
Gross up	59,756	32,900
<b>Gross income</b>	<b>199,188</b>	<b>131,600</b>
Marginal tax	55,772	30,268
MCL	3,984	2,632
Franking credit	(59,756)	(32,900)
<b>Additional tax</b>	<b>–</b>	<b>–</b>



# Individuals

## Standard year end items



### **Timing** is everything for

- Income
- Deductions
- Large transactions  
(Property Sales)



### **Gifts and donations**

- Check Deductible Gift Recipient (DGR) status
- Consider donor tax profile



### **Tax losses**

- Opportunities to offset gains with disposals before year end
- Beware wash sales – Taxation Ruling TR 2008/1



# Individuals

## Other items of interest

### Working from home expenses for FY25-26

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*\$0.70 per hour*

fixed rate **plus** depreciation of equipment and furniture

\$1,000 standard deduction does not apply until 2026-27

### Superannuation rate and contribution caps

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*12%*

**Current** SG rate

Concessional contributions cap **\$30,000**, increasing to \$32,500 next year

Non-concessional contributions cap **\$120,000**, increasing to \$130,000 next year

### HECS / HELP debts changes

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*2.8%*

Increase from 1 Jun 2026

**20%** HELP debt reduction for debts existing 1 Jun 2025



# ATO focus areas

## Work related expenses

is greater than industry and occupational average

## Non-commercial rental income

from holiday homes

## Rental property

deductions



## GST registrations

when not carrying on a business

## Data matching

including cryptocurrency transactions and transfers of units and shares

## Interest deductions

from private proportion of loans



# Trusts



# Trusts

## Year-end trust distributions and resolutions



- 1 Consider the trust deed and constitution of corporate trustee
- 2 Definition of income
- 3 Nomination of beneficiaries
- 4 Review family and interposed entity elections
- 5 Trust streaming requirements for franked dividends and capital gains
- 6 Evidencing your trust resolutions are made in time
- 7 Focus on intention and ensure consistent with deed
- 8 Obtain TFNs from beneficiaries before the distribution
- 9 Take care on proposed distributions to loss entities / lower-taxed entities



Website  
Federal  
Budget  
Hub  
2026-27

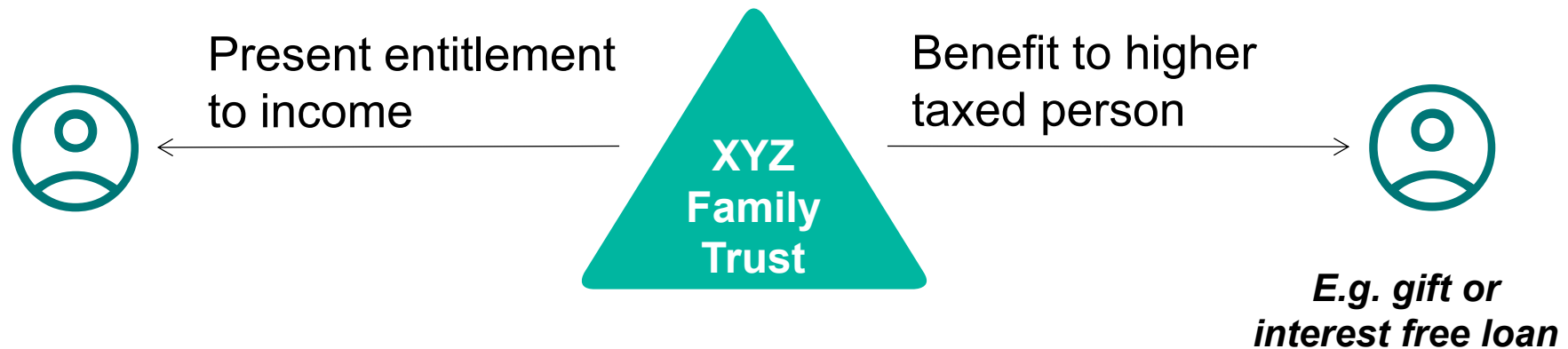


**Mandatory reporting**  
of beneficiary TFNs to apply  
from 2026-27 tax returns



# Trusts

## Reimbursement agreement (section 100A)



**PCG 2022/2** This may be a **Red Zone** arrangement



# Key 100A themes and takeaways

For trustee at year end

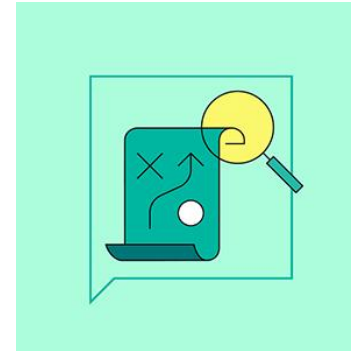


**Distribution to family members**



**Trustee retention of funds**

UPEs and loans back



**Distribution to loss entities**



**Artificial or contrived arrangements**

Exploitation of accounting vs tax differences

Circular flow of funds

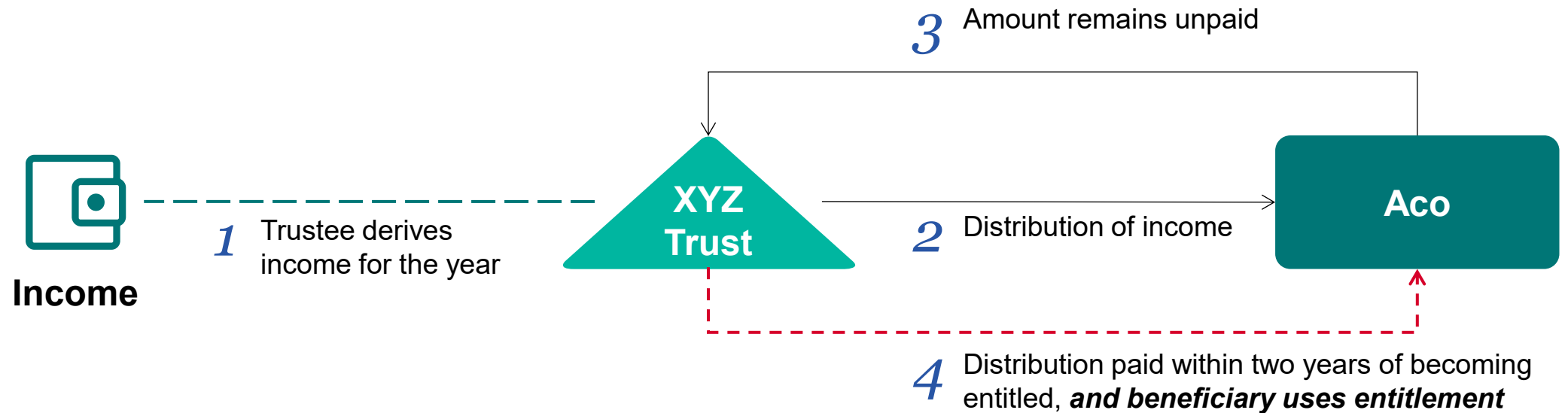
Expenses of minors repaid

**Contemporaneous record keeping and evidence**



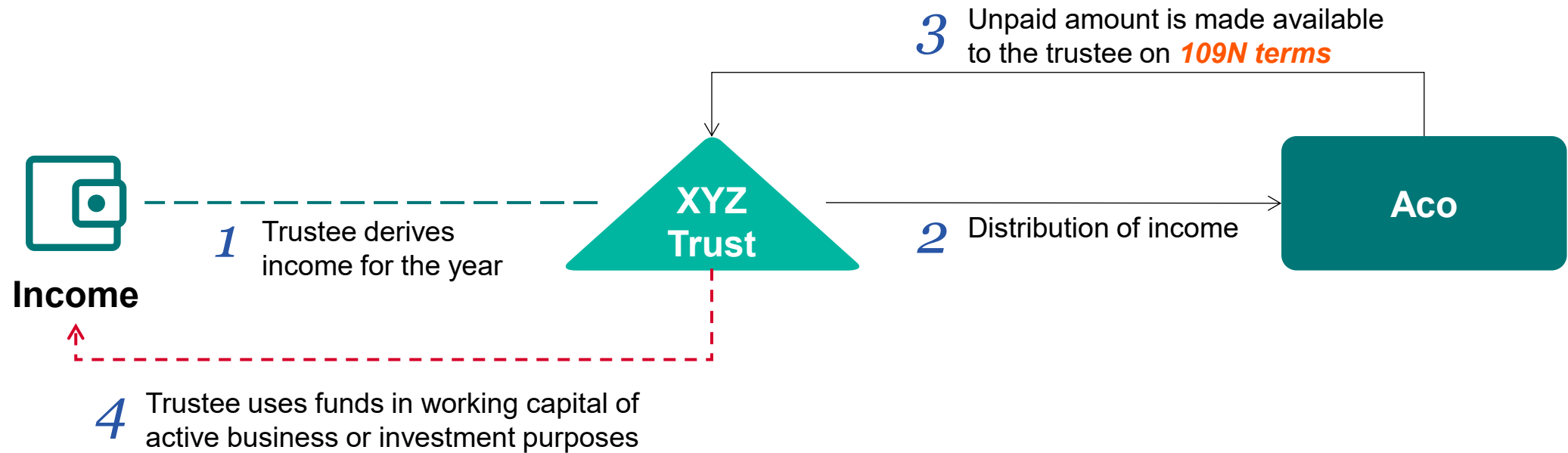
# Section 100A

## PCG 2022/2 – Green zone scenario 2: Entitlement paid within 2 years



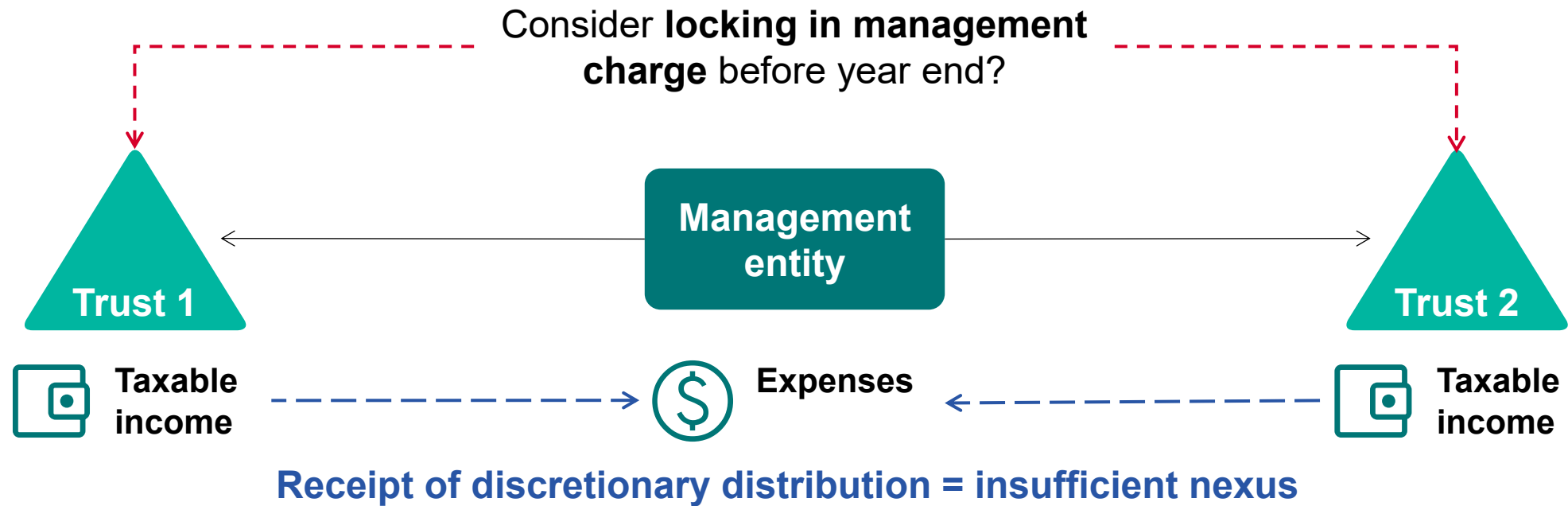
# Section 100A

## PCG 2022/2 – Green Zone Scenario 3B: Retention of funds by trustee



# Trusts

## Discretionary trust distributions and deductions



***TD 2018/9 and Chadbourne [2020] AATA 2441***

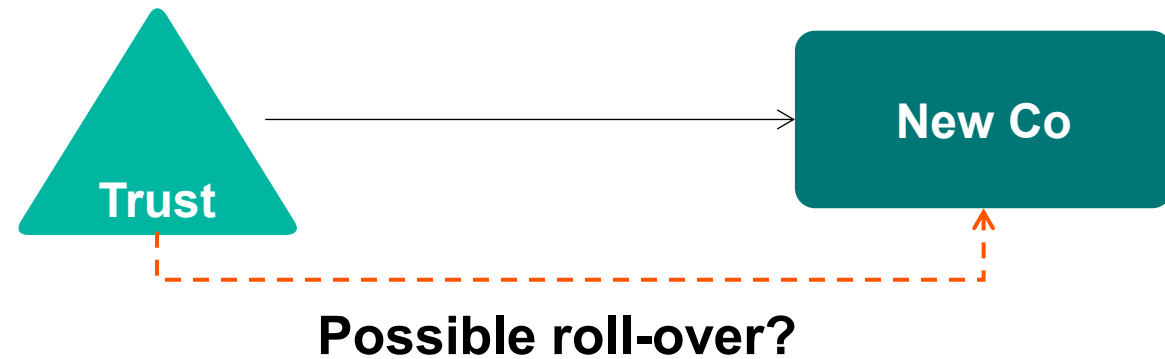


# Trusts

Consider restructuring from a trust to a company for new year

## May provide

- Lower tax rate
- Simpler Division 7A
- Reduced risk of Section 100A
- CGT concessions on sale of shares



## Other considerations



**GST**  
going concern



**Stamp**  
duty



**Funding**



**Contractual**  
arrangements



# Trusts

## Family Trust Elections (FTEs)

### Focus area for the ATO

- Have you made one?
- Do you have evidence of the election being made?
- Who have you named as the specified individual and for what income year?
- Who is in your 'family group'?

### LIMITS

<b>Distributions out</b>	Family Trust Distribution Tax (FTDT) – making distributions to outsiders?
<b>Distributions in</b>	Income injection test
<b>Unlimited POR</b>	for FTDT

**Emerging  
risk**

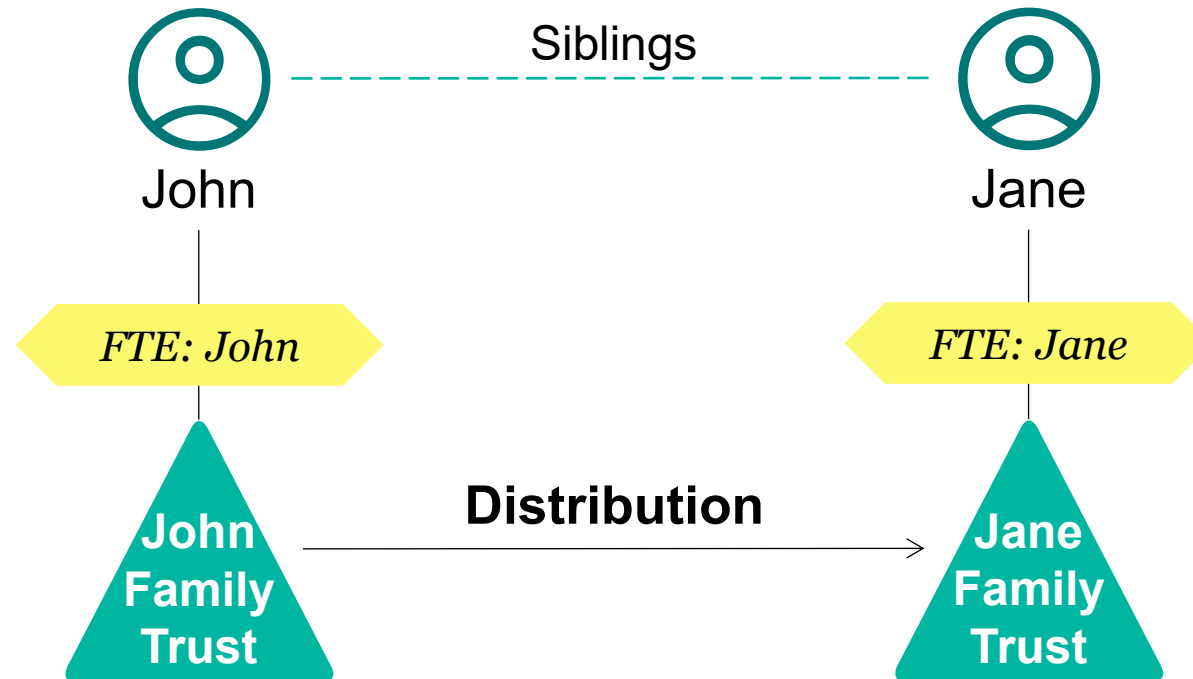


Franking credits do not flow to newly incorporated beneficiary despite trust having an FTE



# Trusts

## FTEs



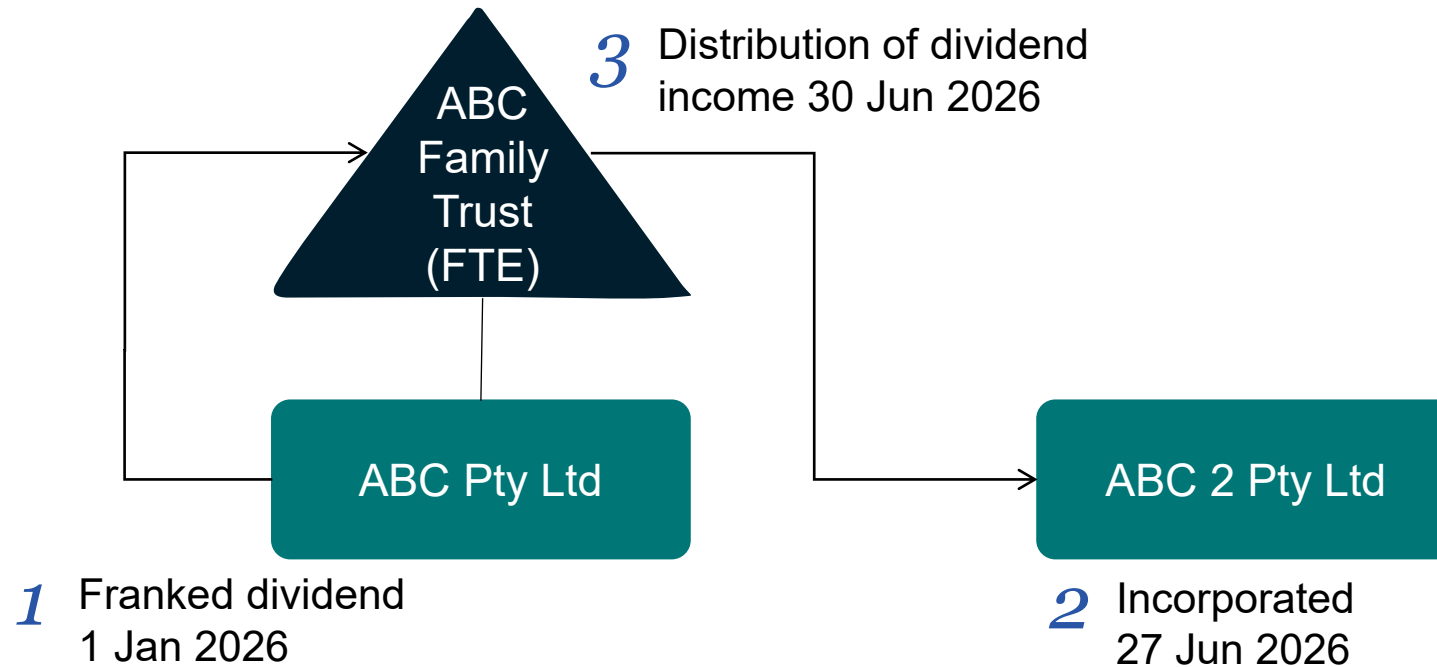
**The trusts have different specified individuals**

Jane Family Trust *not a member of John's family group*, even though Jane is a member of John's family



# Trusts

## FTEs



## Franking credits do not flow through to ABC 2 Pty Ltd

### Flow through if

- ABC 2 Pty Ltd established
- potential beneficiary no later than 1 Jan 2026
- ABC Family Trust does not dispose of shares early



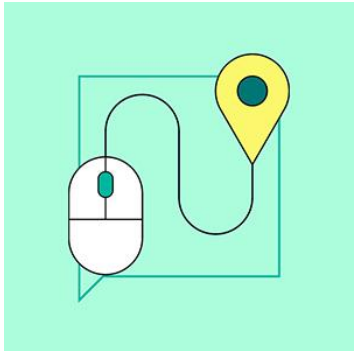
# Companies

Year end tax planning considerations



# Companies

## Standard year end items



### **Bad debt write-offs**

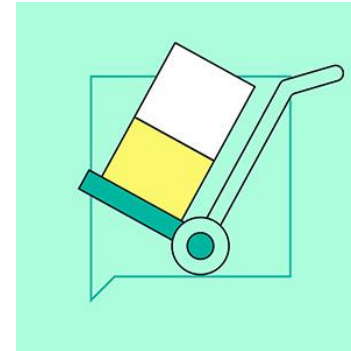
Must be a reasonable assessment

Some form of written record evidencing decision



### **Trading stock elections**

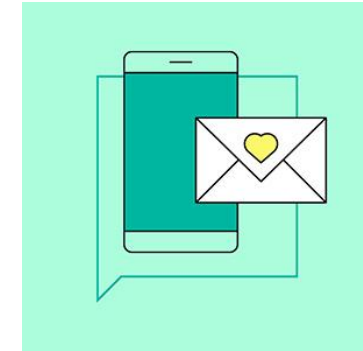
Option to value at cost, market selling value or replacement value



### **Prepaying expenses**

Statutory charges

Small and medium business taxpayers and 12-month rule



### **Bonuses and accruals**

Clear commitment

Quantifiable



# Division 7A

## General compliance before year end



- 1 Benchmark interest rate for 30 June 2026 year repayments is **8.37%**
- 2 Identify all inter-company transactions (loans, payments, debt forgiveness)
- 3 Loan documents are in place
- 4 Current year minimum yearly repayments paid
- 5 Franked dividends have been declared
- 6 Ensure re-borrowings do not occur (even through interposed entities)
- 7 Ensure transactions through interposed entities considered



# Division 7A

FCT v Bendel [2025] FCAFC 15

## Div 7A and unpaid present entitlements

- Taxpayer successfully argued that **UPE did not give rise to a Division 7A loan** from the corporate beneficiary to the trust
- ATO has appealed to the High Court and issued interim DIS stating it will stand by its views and noted **potential application of section 100A to UPEs**



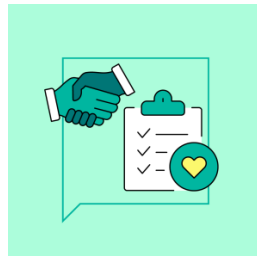
**TD**  
**2022/11**  
30 June 2025  
entitlements  
become loans  
in the 2026FY

# Division 7A

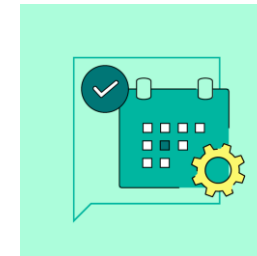
PCG 2017/13

Until **30 June 2022**, PCG allowed UPE to be put on sub-trust and then refinance with a Division 7A loan on maturity

**Allows up to 18 years** to fully pay distribution to corporate beneficiary



**7 / 10 year interest-only arrangements**



**Interest rates for year ending 30 June 2026**

Option 1 (7-year) – 8.37%  
Option 2 (10-year) – 10.38%

**Note:** 2017 distributions that transitioned from sub-trust to loan will require first MYR by this 30 June!



# Instant Asset Write Off

Where do you stand at year end?

*when*

30 June 2026

Date first used or installed ready  
for use for a tax purpose by

*what*

\$20,000

For depreciating assets  
costing less than

*who*

SBEs

Small business entities  
< \$10m aggregated turnover

**Permanent extension** announced in 2026-27 Budget



# Company tax and franking rates

## Base Rate Entity Rules

	Company tax rate	Franking rate
<b>Default rate</b>	30%	30%
<b>Reduced rate</b>	25%	25%
<b>Criteria for reduced rate</b>	Aggregated turnover for <b>CY &lt; \$50M</b>  Passive income for <b>CY ≤ 80%</b>	Aggregated turnover for <b>PY &lt; \$50M</b>  Passive income for <b>PY ≤ 80%</b>
<b>First year rate</b>		25%



# The Base Rate Shuffle

## Company tax and franking rates

- Consider **future dividend payment commitments** now
  - Delay or bring forward
- Consider your **income mix**
  - Active vs Passive
- Review **franking account**
  - Do you risk a permanent surplus?

General considerations before year end  
**The Base Rate Shuffle**



# General considerations



# Denying deductions for ATO interest charges

## APPLICATION

For 30 June taxpayers, ATO interest (GIC/SIC) incurred on or after **1 July 2025** non-deductible

## TIMING

**While interest accrues** daily, may be “incurred” for 8-1 purposes on a single day

## OPTIONS

Interest incurred before 1 July 2025 will be deductible (amend within period of review limitations)

<p><b>Shortfall interest charge</b> Currently 6.96%</p>
<p>Incurred when assessment for tax shortfall given</p>

<p><b>General interest charge</b> Currently 10.96%</p>	
<p><b>Daily</b></p>	<p><b>At once</b></p>
<p>GIC incurred on <b>late payments</b> (of unpaid tax, penalties, SIC)</p>	<p>GIC incurred on <b>late lodgments</b></p>



# Contact us



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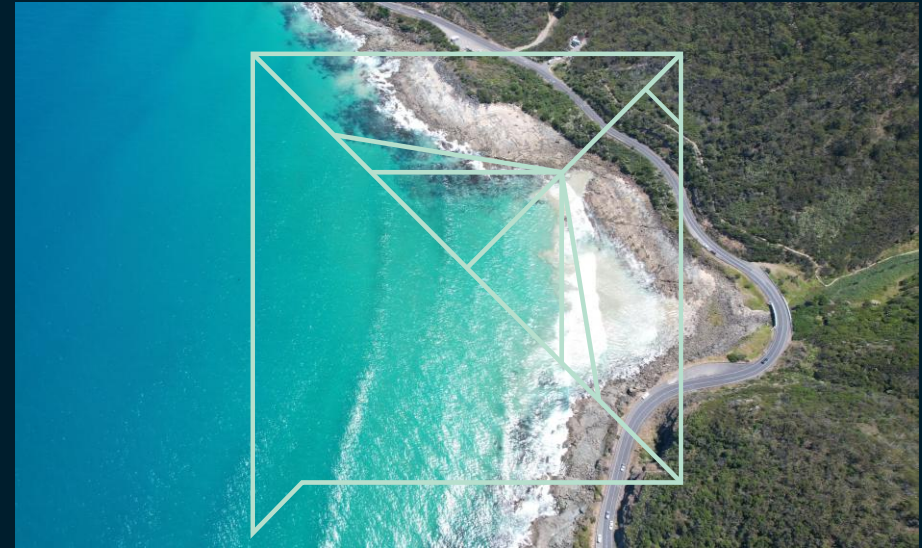
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