

News

June / July / August 2026



A time to review business structures, financing arrangements, succession plans and growth strategies.

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The end of the financial year always causes a flurry of activity, historically end of financial year discussions have centred on deductions, depreciation and tax saving opportunities.

While these remain important, the most successful businesses are increasingly using end of financial year as a strategic planning exercise.

Accountants are uniquely positioned to help clients assess profitability, cash flow performance, capital expenditure requirements, and workforce needs. The question should no longer be simply “How much tax can we save?” but rather “How can we improve business performance over the next 12 months?”

Small and medium sized businesses continue to face economic pressures from rising operating costs, labour shortages and ongoing uncertainty in global markets.

The end of financial year presents an important opportunity to review business structures, financing arrangements, succession plans and growth strategies. At RJC Evans & Co we have been proactively engaging with our clients

on these issues to deliver value that extends well beyond annual tax returns.

It is important to look at the entirety of the business, even more so since the recent Federal Budget proposed so many significant changes for businesses and investors alike.


Ensuring that appropriate structures for each individual business are selected to allow for the greatest of flexibility while still providing the controls necessary.

While we look to see what can be done to best maximise the outcomes for the next 12 months, we also need to be mindful of the proposed timeframes to ensure that taxpayers have reviewed their current structures and are making the necessary adjustments prior to the possible Budget measures commencing.

The devil has always been in the detail and as the legislation and more information are provided, a successful outcome is going to be achieved by all those who act upon what they learn.

So as the end of June fast approaches, make sure you take time to not only think of the tax deductions for this year, but also ask yourself, “What else can help my business improve and succeed into the future.”

Budget Review



2026-27 Federal Budget

Takeaways

The 2026-2027 Federal Budget proposes some of the most significant tax and business reforms in recent memory, with changes set to roll out progressively over a few years.

Following is a brief summary of the proposed changes, with some initial thoughts from our team.

Remembering these announcements are still to go through legislative drafting and a consultation process, which will provide more detail on any eventual new laws.

Starts 1 July 2026

- Permanent \$20,000 instant asset write-off for businesses with turnover under \$10 million.
- Company loss carry-back to become permanent. Companies with turnover under \$1 billion can carry tax losses back up to two income years against prior tax paid, subject to franking account limits.
 - » *RJC Evans & Co comment: A positive announcement for company businesses that will assist with cashflow.*
- A \$1,000 instant tax deduction introduced for work-related expenses. No substantiation required below that threshold. Donations and union fees remain separately deductible.
 - » *RJC Evans & Co comment: Does this create an incentive for small business owners currently remunerated by trust distributions or dividends to now be on the payroll?*

Starts 1 July 2027

- The 50% CGT discount is replaced with CPI indexation of cost bases plus a 30% minimum tax on net real capital gains. Applies to individuals, trusts and partnerships. SMSFs retain their one-third CGT discount.

- » *RJC Evans & Co comment: The minimum 30% will be a hit to low-income earners and young investors whose tax rate may have otherwise been less.*
- Transitional CGT rules apply from 1 July 2027. Gains accrued before that date continue under existing rules, while gains accruing after that date move to the new indexed regime. Market valuation or an Tax Office-approved apportionment methodology is expected to be available for determining the post-1 July 2027 taxable component.
- Pre-CGT assets acquired before 20 September 1985 are brought into the CGT system for gains accruing from 1 July 2027 onward, with prior gains remaining exempt.
 - » *RJC Evans & Co comment: Formal valuations (including of businesses) may be required as at 30 June 2027 to accurately determine the tax-exempt capital gain.*
- All four small business CGT concessions under Division 152 are retained.
 - » *RJC Evans & Co comment: Retained, however, the removal of the 50% general discount will reduce the benefit in some instances. Noting the eligibility thresholds for these concessions have not been increased since 2007.*



- Negative gearing changes commence. Existing residential properties held before 7:30pm AEST on 12 May 2026 are grandfathered. For established residential property acquired after that time, losses can only be offset against residential property income and future residential capital gains. Unused losses to be carried forward. New builds remain exempt from the restrictions. Geared commercial property, shares and other non-residential investments are unaffected.

- Trust restructure rollover relief introduced. A three-year window opens to allow eligible restructures from discretionary trusts into companies or fixed trusts without immediate CGT or income tax consequences. Scheduled to close on 30 June 2030.

» *RJC Evans & Co comment:*
Devil will be in the detail. Will there also be stamp duty relief, which is levied by State Governments?

- Businesses may opt into monthly PAYG instalments, alongside expanded access to dynamic PAYG instalment calculations through accounting software.
- Working Australians Tax Offset (WATO) begins. Provides an annual tax offset of up to \$250 for income derived from work, including sole traders.

» *RJC Evans & Co comment:*
Does this create an incentive for small business owners currently remunerated by trust distributions or dividends to now be on the payroll?

- New EVs purchased for over \$75,000 but below the fuel-efficient luxury car tax threshold receive a 25% FBT discount. Those costing less than \$75,000 will continue to receive the 100% discount.

Starts 1 July 2028

- A 30% tax on discretionary trust profits, which is to be paid by the trustee. Beneficiaries to report distribution and receive a tax offset for the tax already paid on it, in their tax returns ensuring the minimum tax incurred is 30%. Trusts earning primary production income and existing testamentary trusts are proposed to be exempt.

» *RJC Evans & Co comment:*
Devil will be in the detail. Again, does this create an incentive for business owners currently remunerated by way of trust distributions or dividends to now be on the payroll? Should beneficiaries charge interest on amounts owed to them? The proposal appears to be designed to punitively tax trust distributions made to companies.

- Start-up loss refundability introduced. Eligible companies in their first two years, with turnover under \$10 million, may convert tax losses into a refundable offset capped by PAYG withholding and FBT remitted for Australian employees.

» *RJC Evans & Co comment:*
A positive announcement for company businesses that will assist with cashflow.

- R&D Tax Incentive reforms to commence, including higher offsets for core experimental R&D and an increase in the refundable turnover threshold to \$50 million.

Starts 1 July 2029

- A permanent 25% FBT discount applies to eligible EVs purchased up to the fuel-efficient LCT threshold.

General

Payday Super Starts 1 July 2026:

What Is Changing – And What Isn't

Following is a summary of the major changes as a result of the Payday Super superannuation regime which commences from 1 July 2026

- **Super paid every payday**
Employers must ensure super contributions reach the employee's fund **within 7 business days of each payday**, replacing the old quarterly deadlines.
- **Shift to qualifying earnings**
Super is now calculated on 12% of qualifying earnings, a broader base that includes ordinary time earnings, commissions, salary sacrifice amounts, and certain contractor payments.
- **Real-time STP reporting**
Employers must report qualifying earnings and super liability each payday through Single Touch Payroll.
- **Shorter payment deadlines**
Contributions must be received by the fund within 7 business days (or 20 business days for new employees/funds). Late or rejected payments trigger penalties.
- **Revised penalty framework**
The old 200% maximum penalty is replaced with a late lodgement penalty up to 50% of the unpaid SG charge.
- **Cash-flow impact on employers**
Businesses no longer have near 4 months, in some instances, between incurring the Superannuation Guarantee liability and having to pay it.
- **Greater transparency for employees**
More frequent payments make it easier for employees to track entitlements and detect non-payment early.
- **Tax Office enforcement strengthened**
Near real-time STP data allows the Tax Office to identify non-payment quickly and intervene earlier. Noting they have confirmed they will be lenient on businesses in the first year who are trying to comply.
- **Tax Office superannuation clearing house closing**
Whilst not directly related to Payday Super, those businesses who relied on the clearing house have an extra administrative hurdle.

There are also a few misconceptions about the new system, some of which are listed below;

Myth: 'Payday Super changes how super is paid for contractors'

Fact: Payday Super doesn't change who is eligible for super, it changes when super is paid. If a contractor is deemed an employee for super purposes, super must be paid so that it reaches their super fund within 7 business days after their invoice is paid.

Myth: 'Clearing houses will process super payments faster under Payday Super'

Fact: Payday Super does not change the process of the clearing house. Employers need to check the processing times for their clearing house.

Myth: 'Super payments for quarter 4 needs to be paid by 30 June 2026'

Fact: Super payments for the April to June quarter must be received by the employee's super fund on or before 28 July 2026.

30 June 2026 Tax Checklist



Here are some practical things to consider before 30 June to help you tidy up your tax position and potentially reduce your bill.

Bad Debts

If you're running a business, write off any bad debts that won't be recovered before 30 June so they can be claimed.

Employee Bonuses & Director Fees

Planning to pay employee bonuses or director fees? Make sure they're confirmed in writing and communicated to recipients by 30 June, even if payment happens later.

Charitable Donations

Bring forward any planned donations and have the highest-earning family member make the gift. Remember:

- Donations must be to registered charities.
- They can't create a tax loss.
- Keep receipts.

Prepay Interest on Loans

If you have a loan for an income-generating asset (like an investment property), consider prepaying interest before 30 June to bring forward the deduction.

Claim Work-Related or Business Costs

Bring forward costs such as repairs, stationery, or supplies by 30 June 2026. These small deductions can add up. This applies to all taxpayers, not just businesses.

Write Off Old Stock

If you hold stock, write off any damaged, outdated or unsellable items before 30 June 2026.

Prepay Expenses

You can claim prepaid expenses, such as insurance or subscriptions.

Where the expense is:

- Under \$1,000 – all taxpayers can claim the expense
- Over \$1,000 – fully deductible if you're a small business if the expense relates to a period of 12 months or less. Note that this is also available if it's a non-business expense of individuals, such as work-related expenses or rental property costs.

Review Assets & Depreciation

Small businesses (turnover under \$10m) can immediately deduct assets under \$20,000 that were acquired from 1 July 2025 and ready to use by 30 June 2026.

Also, remove any old equipment from your depreciation schedule if it's been sold, thrown out, or is no longer usable.

Electric Vehicles

If your business provides an electric vehicle to an employee, you may be eligible for depreciation deductions and Fringe Benefits Tax (FBT) concessions.

Defer Income

If possible, delay receiving income (like issuing invoices) until after 30 June to push tax into next year.

Offset Capital Gains

Selling an asset this year with a profit? You could crystallise capital losses before 30 June to offset that gain.

Watch out: 'Wash sales' (selling and rebuying the same asset just to get a loss) are not allowed.

Defer Capital Gains

If you're planning to sell an asset for a gain, consider delaying until after 30 June if it makes sense for your broader financial situation.

Personal Services Income (PSI)

If you're working in your own name (like a contractor or freelancer), check that your income qualifies as a business under PSI rules.

Business Losses

If your business runs at a loss, you may not be able to claim that loss if you carry on a "non-commercial business" - unless you pass one of the Tax Office's tests (e.g., income, asset, or profit test).

Company Loans to Shareholders (Division 7A)

If you've borrowed from your company, the loan needs to be properly documented, put on commercial terms and repaid. If repaying through dividends, make sure the dividends are legally declared and paid prior to 1 July (with appropriate documentation in place).

Trust Distributions

If you're a trustee, resolutions must be made before 30 June to properly distribute income to beneficiaries. You also need to let your beneficiaries know what they're entitled to.

Beneficiary TFN Reporting

If new beneficiaries gave you their TFN between April–June, you must lodge a TFN report by 31 July 2026.

Motor Vehicle Logbook

Planning to claim car expenses using the logbook method?

Start now and track 12 weeks of usage (can span over two tax years). Also record your odometer readings.

Private Health Insurance

Make sure you have the right level of cover to avoid the Medicare Levy Surcharge, especially if your family situation has changed (e.g. new baby, separation, adult children moving off your policy).

Check Your Insurance Cover

Review your personal and business insurance needs. Not only does this provide peace of mind, but some policies may also be tax deductible, especially if prepaid.

Review Your Business Structure

Is your current setup still the right one? Changes in income, family, or risk levels may mean a trust, company, or restructure could be more effective. We can help you weigh up your options.

Taxation

Surviving (and Maybe Avoiding) a Tax Audit.

If, for whatever reason, the Tax Office is not satisfied that the taxable incomes you have disclosed are correct, they can make their own estimate using whatever information is available.



It goes without saying that at tax time you should disclose all your assessable income and only claim legitimate business deductions. Failure to do so exposes you to the risk of penalties and interest on top of the underpaid tax.

The chances of popping up on the Tax Office's radar are not negligible. The Tax Office runs an active small business compliance program that uses industry benchmarks and other information, including "dob ins" received from community members.

Cash Jobs

Offering a discount for cash for a lower price might seem tempting, but it suggests an intention of under reporting income. Tradies and the like occasionally fall out with their clients, some of whom might then report them to the Tax Office and those "dob ins" can lead to audits being conducted. The practice remains widespread, but you should avoid doing cash jobs – there is a good chance they will come back to bite you.

Benchmarks

The Tax Office keeps extensive data of industry benchmarks for many industries, tracking gross income, expenses and profits margins. Its website suggests this data enables you to see how you compare

with your peers and perhaps identifies areas for improvement. But it also gives the Tax Office a way of identifying potential audit cases.

If your trading results are well below the industry average, you might want to think about what some of the reasons for that might be. These could include:

- Ill health suffered by yourself or a close family member
- A long holiday
- Your café or retail business is not in the best location
- Competition from similar businesses operating nearby

Averages are just that, and some businesses will be under while others are over. Having an idea of where you sit on the spectrum and why may help you engage with the Tax Office if and when the time comes, as well as help you to take steps to improve your trading result.

Lifestyle Factors

Another way of identifying cases suitable for audit is for the Tax Office to assess whether your apparent lifestyle matches the net income disclosed in your tax returns. If you drive a flash car, take expensive holidays, have your children in private schools, have had major home renovations done or get around wearing a Rolex while your disclosed income does not support such a level of spending, you might have some explaining to do.

The Audit

If, for whatever reason, the Tax Office is not satisfied that the taxable incomes you have disclosed are correct, they can make their own estimate using whatever information is available. Any amended default assessments will generally be based on a bank account analysis, as well as estimates of private spending. They cannot just pluck a figure out of the air, but they do not have to prove where the discrepancy came from either.

Those without complete and accurate records of both their business and private finances are vulnerable to adjustments that involve double counting, especially from a bank analysis that assumes that every unexplained deposit represents undisclosed income and every unexplained withdrawal was used to fund private expenditure.

As often as not the two are offsetting but the taxpayer can't prove it.

To challenge a default assessment a taxpayer has to show not only that the Tax Office's estimate is wrong in some respect - they also have to show what their correct taxable income is. The courts and tribunals are littered with default assessment cases where the taxpayer has failed in this regard, leaving them with a very large tax bill.



Protective Measures

Here are some of the practices that might assist you in a Tax Office audit. Most of them would need to be in place before an audit even starts:

- Keep your private and business accounts separate.
- Avoid using cash for business transactions.
- Avoid running private expenditure through your business account.
- Keep documentary evidence of gifts, loans and other non-taxable receipts that flow through your bank accounts. Keep a written record of such transactions as they occur.
- Be prepared to explain any apparent discrepancies between your lifestyle and the income disclosed in your tax returns.
- If you have made a mistake or two, consider making a voluntary disclosure when you are notified of the audit but before it starts. This could help reduce penalties.
- Ensure you have books of account and bank records that verify the taxable income disclosed in your tax returns.

Example Case:

Director Omitting Cash Income

Peter is the director of the Ink & Olive Bistro in Adelaide. He uses a bank account and POS system to record income, wages, sales and expenses, with a 10% discount on cash payments.

Data showed poor record keeping, missing invoices and reports, under-reported cash sales and omitted income. A 2021 and 2022 financial year audit found that:

- Records of cash sales were not properly kept with amounts being lower than those reported, using price overwrites and voided sales and discounts for cash
- Wages and expenses paid in cash were not reported
- Cash income was mixed between business and personal use by depositing cash into personal accounts and using it to pay personal credit cards and expenses.

These actions resulted in a total of:

- \$1,430,946 unreported income for both years with adjustments made
- A PAYG withholding shortfall of over \$550,000
- Additional tax of around \$392,000 when omitted income was added to the director's returns.

Because of this, the Tax Office:

- Disallowed over \$120,000 in deductions due to missing records
- Treated \$862,174 as unreported income of the director
- Imposed penalties for false or misleading statements, which were applied at 75% for intentional disregard with a 20% uplift
 - » \$338,093.10 for income tax
 - » \$129,276.30 for GST shortfall
 - » \$317,577.03 due to the director's intentional disregard and repeated behaviour.

The Tax Office also applied a director penalty of \$416,583.75 for failure to withhold. This was reduced by 25% due to the disclosure made during the audit.

Need More Detail?

If you need any further guidance, or have any concerns about your circumstances, please contact our office.

General

Superannuation Rates & Threshold Changes from 1 July 2026



As a result of inflation, some of the superannuation thresholds are being indexed from 1 July 2026.

The Superannuation Guarantee rate stays steady at 12%, but the increase in other key thresholds are important to consider in planning and saving for retirement.

Threshold	2025-26	2026-27
Concessional cap	\$30,000	\$32,500
Non-concessional cap	\$120,000	\$130,000
Bring-forward max	\$360,000	\$390,000
Transfer balance cap	\$2.0m	\$2.1m
SG contribution rate	12%	12% (unchanged)
SG maximum contribution base	~\$250,000	\$270,830
Downsizer contribution	\$300,000	\$300,000

Hot Off The Press!

High Court Finds a UPE is Not a Loan



The High Court of Australia has found that an unpaid present entitlement is not a loan for tax purposes, which is contrary to the long held view of the Tax Office.

The Tax Office has long required unpaid present entitlements (UPE) of a trust be converted to a loan, potentially resulting in adverse tax consequences under Division 7A anti-avoidance provisions. The findings assumedly mean there is no requirement to convert a UPE to a loan, and therefore no requirement to make loan repayments.

We await comments from the Commissioner of Taxation as to what the findings mean for their administrative approach. Specifically regarding UPE's currently on hand.

It should be noted that the recent Federal Budget announcements regarding the taxing of trust distributions, may ultimately make the decision somewhat irrelevant in the long term. Under the proposed Budget measures, trust distributions to corporate beneficiaries from 1 July 2028 are proposed to be taxed at punitive rates. Given that, there may be less trust distributions made to companies post 1 July 2028, and therefore less unpaid present entitlements.