THE ROUND UP

The important details for accountants & advisers in August 2026.

What did I miss?

Budget tax changes and new draft crypto guidance

The major development this month is the passage of a Bill through Parliament which deals with a range of measures, including the loss carry back tax offset and the permanent increase in the instant asset write off threshold to $20,000. However, the Bill was amended to also include some key modifications to the negative gearing reforms that apply from 1 July 2027.

We also look at some draft ATO guidance on the taxation of specific crypto asset transactions: TR 2026/D1 looks at issuing and receiving airdropped crypto assets while TD 2026/D2 looks at crypto wrapping contracts.

As change occurs, we'll keep you posted through Knowledge Shop's social media accounts – X, facebook and Linkedin.

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WHAT'S NEW

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Coming Up...

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From the Government

TPB sanctions reforms

Treasury has released some draft regulations and a determination in relation to Tax Practitioner Boad (**TPB**) sanction reforms announced in the 2025-26 Budget.

The draft regulations would require the TPB to publish information about sanctions on the public register. This would apply when:

- A tax practitioner's registration is suspended or terminated;
- An unregistered tax practitioner is convicted of an offence under the *Tax Agent Services Act 2009*;
- An unregistered tax practitioner pays an infringement notice; and
- The TPB accepts an enforceable voluntary undertaking.

The draft determination also proposes that tax practitioners would need to tell clients about certain conduct matters.

More information
Tax Practitioners Board sanctions reforms

From the Regulators

Payday Super

The ATO is reminding super funds of their obligations under the new Payday Super regime.

Allocation timeframes

Under Payday Super, super funds must now allocate or return super contributions within 3 business days. This timeframe does not include the day the contribution is received.

'Business day' means any day that is not a Saturday, Sunday or public holiday in the fund's location. For example, if a contribution is received on a Monday, then the fund has until Thursday to allocate or return it.

SMSFs will still have 28 calendar days after month-end to allocate or return the contribution received.

Payroll software

Practitioners should check whether their clients' payroll software supports Payday Super and the New Payments Platform (**NPP**), which enables faster payments to funds (businesses may need to contact their bank to update accounts for NPP payments). By now, many providers should offer:

- Updated Single Touch Payroll (STP) reporting of qualifying earnings and superannuation liability;
- The new SuperStream data requirements;
- Member verification requests (MVR) to validate fund details before contributions are made; and
- Integrated error messaging to quickly identify and resolve rejected payments.

These features help reduce errors and ensure super is paid in full, on time, and to the right fund. Where a provider doesn't offer these functions or can't confirm availability, clients should consider alternatives on the Super Product register (noting the register isn't exhaustive).

Missed payments

Clients who didn't pay their June quarter super on time should act immediately, as this may result in a quarterly debt. If the employee's fund didn't receive the full contribution by 28 July, clients should have lodged a SGC statement by 28 August and paid the SGC to the ATO, not the fund.

Any payments received on or after 29 July will be automatically allocated under Payday Super, even if intended for the June quarter shortfall.

The late payment offset (LPO) is not available for this final quarterly payment.

More information
Calculating the 3 business day timeframe for contributions

Help your clients meet the Payday Super 7 day timeframe

Does your payroll provider support Payday Super?

Top tips to meet the Payday Super 7 business day timeframe

Did your employer clients miss the quarterly SG due date?

New SMSFs

The ATO is reminding new SMSFs of their lodgment obligations.

New SMSFs must lodge their first SMSF annual return (**SAR**) by 31 October 2026, and must appoint an auditor at least 45 days before the lodgment due date.

If they have engaged a registered tax agent, then their due date is extended to 28 February 2027 for the first return in most cases.

If a client's fund had no assets during its first year, they must either:

- Lodge a return not necessary form; or
- Cancel the SMSF's registration, if they no longer intend to operate the fund.

Each year, SMSF trustees must:

- Prepare the fund's accounts, including valuing the fund's assets;
- Appoint an approved SMSF auditor at least 45 days before the lodgment due date;
- Allow the auditor sufficient time to complete their independent review;
- Address any compliance issues identified by the auditor; and
- Lodge the annual return and pay any outstanding tax and the supervisory levy.

For new SMSFs, the supervisory levy is $518, covering both the establishment year and the following financial year.

More information
New SMSF? Here's what you need to do by 31 October 2026

Pre-fill for contractors

For the first time, payments reported to the ATO through the Taxable payments annual report (**TPAR**) will be automatically pre-filled as income in eligible tax returns.

The pre-fill data will cover payments reported by businesses in industries including building and construction, courier and road freight, cleaning, information technology, and security services.

However, the TPAR pre-fill is not a complete record of business income. Contractors must continue to declare all income earned, including amounts received through platforms, directly invoiced to private clients or received in cash.

Clients should review pre-filled amounts against their own records and correct any information that does not reflect their circumstances. Where a pre-filled amount is changed, taxpayers should retain supporting documentation and be able to substantiate the adjustment.

The ATO will also use TPAR data alongside other data sources and analytics to identify omitted or under-reported income.

More information
New ATO pre-fill data makes tax time easier for contractors

Motor vehicle registries data-matching program protocol

The ATO has issued website guidance on their motor vehicle registries data-matching program protocol.

The ATO uses data from state and territory motor vehicle registries to identify vehicles that have been sold, transferred or newly registered with a value of $10,000 or more.

The data can be used to identify potential undeclared income, capital gains and business transactions, as well as discrepancies between information reported to the ATO and vehicle ownership or transfer records. Practitioners should therefore ensure clients properly account for vehicle transactions and consider the relevant income tax, CGT and GST implications, particularly where vehicles are used in business or disposed of for consideration.

The ATO's current published protocol covers motor vehicle registry data for the 2016–17 to 2024–25 financial years.

Practitioners should remind clients that vehicle transactions may be cross-checked against ATO records, making accurate reporting and appropriate documentation of vehicle acquisitions, disposals and business use important.

More information
Motor vehicle registries data-matching program protocol

Government Payments Program

The ATO is reminding businesses that receive payments for providing services under Commonwealth government programs, including in the healthcare, disability support and childcare sectors, to ensure they are meeting their tax obligations.

Businesses receiving these payments should:

- Keep accurate records of all income received;
- Report all Government Payments Program (GPP) income at the correct label in their tax return; and
- Lodge tax returns and pay any tax liabilities in full and on time.

Failure to meet these obligations may result in penalties, interest charges and firmer compliance action.

The ATO continues to strengthen payment integrity through the GPP and its collaboration with participating government agencies. It is also a member of the Fraud Fusion Taskforce, a multi-agency initiative targeting fraud and non-compliance in government payment programs, including the National Disability Insurance Scheme.

More information
[Are you a provider under the Government Payments Program?]

Lodging trust tax returns on time

The ATO has published a reminder to trustees of the benefits of on-time lodgment of trust tax returns:

1. Helps beneficiaries lodge correctly

Timely lodgment with accurate beneficiary information helps beneficiaries report their trust income correctly. From Tax Time 2026, the ATO has extended pre-fill for individual beneficiaries to include trust lodgment data, meaning on-time lodgment can help beneficiaries benefit from pre-filled trust income in their own returns. Trustees are encouraged to confirm beneficiary TFNs and details are accurate before lodging.

2. Keeps tax affairs on track

A complete and accurately prepared return gives confidence that the trust's tax affairs have been correctly reported and beneficiary entitlements appropriately disclosed. Good record-keeping reduces the risk of errors requiring later amendments. Where information is missing, inaccurate or reported against the wrong labels, the ATO may need to make further enquiries, so getting it right the first time can help avoid unnecessary compliance activity, costs and delays.

3. Avoids penalties and prosecution

Trustees who don't lodge on time, or at all, risk substantial (and avoidable) late lodgment penalties. The ATO may take progressive steps to prompt lodgment, escalating to more serious compliance action including referral for prosecution and possible criminal conviction.

More information
[Three reasons to lodge your trust tax return on time]

Tax return due dates

The ATO has published a quick reference guide to the five most common income tax return due dates under the lodgment program, and which clients they generally apply to. Practitioners should note that clients' due dates can vary depending on factors such as when the client was added to the agent's client list, entity type, whether the client is a new registrant, has overdue prior year returns, or whether their last return was taxable or non-taxable.

31 October - applies to entities with overdue prior year returns; those added to the agent's client list after 31 October; and those the ATO has separately advised of this date (e.g. entities prosecuted for non-lodgment, or new registrant SMSFs reviewed at registration).

31 January - applies to taxable large and medium entities (excluding individuals) based on their latest year lodged, and the taxable head company of a consolidated group (including new registrants) with a member deemed medium or large in the latest year lodged.

28 February - applies to non-taxable large and medium entities (excluding individuals); new registrant large and medium entities (excluding individuals); the non-taxable head company of a consolidated group (including new registrants) with a member deemed large or medium; any consolidated group member that exited during the income year; and new registrant SMSFs.

31 March - excluding large and medium taxpayers, applies to individuals and trusts with a prior-year tax liability of $20,000 or more; companies and super funds with total income over $2 million in the latest year lodged; and head companies of consolidated groups with a member exceeding $2 million total income.

15 May - applies to all entities not required to lodge earlier and not eligible for the 5 June concession.

As due dates may change with a client's circumstances, the ATO recommends practitioners regularly check clients' lodgment due dates via Online services for agents or the practitioner lodgment service. Further detail is available via the Registered agent lodgment program page.

More information
[Unsure why your client received a particular due date?]

Religious institutions and GST registration

The ATO has clarified that income tax exemption does not automatically exempt religious institutions from other tax obligations, such as GST.

Like all not-for-profit organisations, a religious institution must register for GST where its GST turnover is $150,000 or more. Institutions not currently registered should regularly review their current and projected GST turnover - generally, where projected turnover reaches $150,000 or more, registration is required within 21 days.

GST turnover includes:

- Taxable sales: where registered or required to be registered, sales made in Australia are generally taxable. This includes membership fees, sales of religious books and merchandise, candles and devotional items, fees for yoga / mindfulness / wellbeing programs, sponsorship or advertising income, café / kiosk sales, hall or venue hire, and fundraising events not treated as input taxed.
- GST-free sales: for institutions registered with the ACNC, sales integral to the practice of the religion may be GST-free (e.g. worship services, Sunday School, weddings, funerals, baptisms, religious retreats and bible study groups). While GST is not charged on these sales, they must still be included in the GST turnover calculation. Only services integral to religious practice qualify — related commercial activities or ancillary services may not.

Some income is excluded from GST turnover:

- Genuine gifts and donations made voluntarily, where the donor receives no material benefit, are excluded from GST turnover calculations.
- Certain supplies may be input taxed and excluded, such as an eligible fundraising event an endorsed charity chooses to treat as input taxed.

Religious institutions registered with the ACNC may also be entitled to other tax exemptions and concessions.

More information
[Do religious institutions need to register for GST?]

Rulings, Determinations & Guidance

Crypto assets by airdrop

The ATO has issued a draft ruling that looks at the income tax consequences for an Australian resident taxpayer of issuing or receiving crypto assets as the result of an airdrop.

An airdrop generally occurs when crypto assets are distributed to a holder's wallet at no direct cost.

The draft ruling considers three key scenarios for both the issuer and the recipient of the asset.

1. Airdrops received in the course of a crypto trading business

Where the recipient is carrying on a business of trading crypto assets, the market value of the airdropped asset is assessable as ordinary income under section 6-5. This applies even where the airdrop may otherwise appear to be a gift or windfall.

Where the issuer is also carrying on a business of crypto asset trading and holds the relevant assets for sale or exchange in the ordinary course of that business, the assets will generally be treated as trading stock under Division 70.

2. Airdrops received in exchange for goods or services

Where an airdropped asset is provided in return for goods or services supplied by the recipient, the money value of the asset is assessable income under section 6-5, regardless of whether the recipient is carrying on a business.

For the issuer, the costs of acquiring or creating crypto assets distributed in exchange for goods or services may be deductible under section 8-1, subject to the usual requirements.

3. Airdrops received by retail investors

Where an individual is not carrying on a business of crypto trading, and the airdrop is not provided in return for services or otherwise connected with an income-producing activity, the market value of the asset will generally not be ordinary income when received. Instead, CGT event A1 will generally occur when the taxpayer later disposes of the asset.

For the issuer, CGT event A1 occurs when the asset is distributed. Where there are no capital proceeds, as is generally the case with an airdrop, the issuer is taken to have received the market value of the asset at the time of the event.

The draft ruling also considers situations where an individual receives an airdrop without their knowledge or consent. Even where the recipient does not carry on a crypto trading business, a capital gain may arise when the asset is subsequently disposed of. Where costs are incurred to remove or rectify unwanted assets in a wallet, those costs may form part of the asset's cost base in determining the resulting capital gain or loss.

The ruling also provides guidance on valuing airdropped assets, distinguishing a crypto trading business from a hobby, and applying the rules to practical examples.

More information
TR 2026/D1

Crypto wrapping contract

The ATO has also issued a draft Determination (TD 2026/D2) that looks at the CGT consequences of certain wrapping contracts.

Wrapping contracts are a type of smart contract that involve the exchange of a crypto asset for its wrapped equivalent, often to enable compatibility with particular DeFi protocols or platforms.

The determination applies to wrapping and unwrapping arrangements that follow a specified seven-step pattern:

1. Transferring crypto asset A to a wrapping contract
2. Wrapping contract locks crypto asset A
3. Minting crypto asset B on a 1:1 basis with the locked units of crypto asset A
4. Newly minted crypto asset B can now be used in decentralised finance (DeFi) protocols or traded
5. Unwrapping crypto asset B - call the withdraw function on the wrapping contract
6. Burning crypto asset B - when the withdraw call executes, the wrapping contract burns crypto asset B
7. Releasing crypto asset A - the contract sends the corresponding amount of crypto asset A back to your wallet address.

The ATO's view is that CGT event C2, rather than CGT event A1, applies when a crypto asset is wrapped. This is because the ATO considers that transferring the asset to a smart contract does not involve a transfer of ownership to another legal entity, which is required for CGT event A1.

Further, the ATO considers that two separate CGT event C2 events can arise:

- Wrapping: CGT event C2 occurs when the original crypto asset is transferred to the smart contract and the taxpayer's ownership of that asset ends. The capital proceeds are generally the market value of the wrapped asset received, while the cost base of the wrapped asset is generally the market value of the original asset at the time of wrapping.
- Unwrapping: A second CGT event C2 occurs when the wrapped asset is burned by the smart contract. The crypto asset released back to the taxpayer is treated as a new CGT asset, rather than a continuation of the original asset. The capital proceeds are generally the market value of the asset received, with its cost base based on the market value of the wrapped asset at the time it is burned.

That is, each wrapping and unwrapping transaction may give rise to a separate CGT event, potentially resulting in significantly more CGT events for taxpayers actively using wrapped assets in DeFi arrangements.

The draft determination also confirms the ATO's view that CGT rollover relief under Subdivision 124-B is not available. The wrapping of an asset is not considered an involuntary loss or destruction, while the asset received on unwrapping does not constitute compensation for the purposes of the rollover provisions.

Practitioners with clients using wrapped crypto assets should consider whether historical transactions have been treated consistently with the ATO's proposed position.

More information
[TD 2026/D2]

Standard $1,000 deduction for work-related expenses

The ATO has issued a draft Law Companion Ruling (LCR 2026/D5) which sets out how the standard deduction of up to $1,000 for work-related expenses under section 25-130 of the ITAA 1997 operates.

Section 25-130 allows for a standard deduction of up to $1,000 for an income year for work-related expenses for individuals who derive assessable labour income without substantiation. An individual doesn't need to incur or substantiate expenses to be entitled to the standard deduction, they only need to record their assessable income at the correct labels when they lodge their tax return.

Taxpayers who have more than $1,000 of work-related expenses and who don't want to limit the deduction to $1,000 will need to substantiate their deductible expenses.

The ruling explains:

- Who is eligible to receive the standard deduction
- How the amount of the standard deduction is worked out
- Which specific deductions reduce the standard deduction
- Which deductions can still be claimed separately
- How it interacts with the capital allowance rules and FBT.

Certain expenses do not form part of the standard deduction, and written evidence is required to substantiate these, such as:

- Income protection insurance premiums
- Personal sickness insurance premiums
- Accident insurance premiums
- Membership of a trade, business or professional association.

The introduction of the standard deduction also replaces the substantiation requirements for laundry expenses up to $150. However, the draft ruling explains a proposed compliance approach for laundry expenses that would apply from the 2026-27 income year onwards. The draft ruling provides that the ATO will accept a method for calculating laundry expenses (but not dry-cleaning costs) that applies from 1 July 2026, being $1 for a full load of work-related laundry, 50c for a mixed load, if appropriate records are kept and the laundry expenses are deductible for the individual.

More information
[LCR 2026/D5]

Payday super guidance

The ATO has issued a number of finalised Law Companion Rulings providing guidance on the operation of the Payday Super reforms, which commenced on 1 July 2026.

LCR 2026/1 explains how the application and savings provisions operate under the *Superannuation Guarantee (Administration) Act 1992* following the introduction of Payday Super.

The ruling also covers the transitional arrangements supporting the move from the quarterly SG system to Payday Super. These provisions are designed to address potential timing differences, existing arrangements and overlapping obligations that may arise during the transition.

LCR 2026/2 provides guidance on the requirements for contributions to qualify as eligible contributions under the new Payday Super rules.

The ruling outlines the criteria a contribution must satisfy to be an eligible contribution and the relevant timeframes within which contributions must be received.

LCR 2026/3 provides an overview of how the superannuation guarantee charge (SGC) is calculated and assessed following the Payday Super amendments.

More information
LCR 2026/1

LCR 2026/2

LCR 2026/3

Wine equalisation tax

The ATO has issued two Legislative Instruments that look at the application of Australia's wine equalisation tax (**WET**) and excise regimes.

LI 2026/31 relates to the *Wine Equalisation Tax (WET) Act 1999* and sets out the treatment of certain New Zealand wine for WET purposes. The instrument provides the relevant rules for determining when wine sourced from New Zealand is subject to WET, supporting the operation of the Australia–New Zealand trade arrangements.

LI 2026/33, *Excise (Denatured Spirits) Determination 2026*, sets out the circumstances in which spirits are treated as denatured for excise purposes. The determination is relevant to businesses using spirits for purposes where denaturation is required to prevent the spirits being used as a beverage and therefore supports the applicable excise treatment.

More information
LI 2026/31

LI 2026/33

Simplified accounting method for retailers

The ATO has issued a draft legislative instrument, LI 2026/D19 *A New Tax System (Goods and Services Tax) (Simplified Accounting Method for Restaurants, Cafes and Caterers) Determination 2026*.

The proposed determination would allow eligible restaurants, cafes and caterers to elect to use the simplified accounting method (**SAM**), also known as the ‘purchases snapshot method’, to calculate their net GST position.

Under the SAM, businesses can estimate their input tax credits for trading stock purchases by using actual purchase data from two four-week sampling periods during the financial year. This can provide a simpler alternative for businesses that do not have the systems, software or resources to determine whether each trading stock purchase is subject to GST or GST-free.

The draft determination is intended to replace the existing 2016 determination, which is due to sunset on 1 October 2026, with the same substantive effect.

More information
LI 2026/D19

Reporting period for third party reports on property transfers

The ATO has issued a Legislative instrument, *Taxation Administration (Change of Reporting Period for Third Party Reports on Real Property Transfers) Legislative Instrument 2026*, that changes the reporting period for certain third-party reports on real property transfers provided to the ATO.

More information
LI 2026/32

Cases

Claims for a home computer ‘lab’ of a senior sales employee denied

In *Hartley and Commissioner of Taxation* [2026] ARTA 1590, the Tribunal considered whether a senior IT sales employee could deduct substantial expenditure on his home computer 'lab'.

Mr Hartley was employed as a Domain Sales Manager at Ericsson Australia. He contended his role extended beyond sales and that is also encompassed acting as an innovator, which included identifying and developing new product opportunities and providing thought leadership within the industry.

It was within this context that Mr Hartley sought to claim a substantial amount of work-related and capital allowance deductions for his home computer 'lab' in the 2022 income year. While these amounts were denied by the ATO at audit and at objection, what was ultimately in dispute before the Tribunal was whether the taxpayer could claim deductions of $31,870, relating mostly to digital storage devices, computers and monitors, computer software and subscriptions to various computing services.

Although the claim was quite significant, Mr Hartley gave evidence of various projects undertaken from his home computer 'lab'. Of relevance is the fact that these projects were actively encouraged by and benefited his employer, which included:

- A network virtualisation project that began before he joined Ericsson, but which the company later sought to develop and market;
- Cloud infrastructure work undertaken through an industry collaboration that involved Ericsson as an industry member; and
- Work on video interface technology, which was the subject of an Ericsson press release, with the technology also being deployed in its business.

While it was accepted that Mr Hartley had a high-level leadership role that involved having specialized expertise and contributing to the development of marketable technologies, the Tribunal ultimately sided with the ATO concurring that the deductions should be denied in full.

The Tribunal's rationale was largely based on its view that the activities were undertaken out of Mr Hartley's general interest in IT and as part of maintaining his general professional standing, rather than in the performance of his immediate job responsibilities for Ericsson.

Citing the High Court decision in *Federal Commissioner of Taxation v Hatchett* [1971] HCA 47, the mere fact Ericsson encouraged Mr Hartley's activities was not enough to warrant a deduction. The problem seemed to be two-fold. First, Ericsson neither required the activities nor permitted him to use Ericsson equipment to perform these activities. Also, there was evidence to suggest that the activities were undertaken at home so that he could retain the benefit and ownership of the development, should he leave Ericsson's employ.

Especially where the work-related deductions being claimed are significant, this Tribunal decision is a reminder for practitioners to consider whether the client's costs relate to activities that fall outside the scope of client's role and duties. The challenge is that the ATO has consistently signaled work-related deductions as one of their key focus areas, but this is not always an easy area of the law. While it is generally helpful if an employer encourages the activities, this Tribunal decision and the ATO's guidance in TR 2020/1 makes it clear that this will not necessarily be sufficient.

More information
Hartley and Commissioner of Taxation [2026] ARTA 1590

Retirement village 'lease loan' not a lease premium

The Tribunal in *Silverfern Investments (WA) Pty Ltd and Commissioner of Taxation* [2026] ARTA 1619 considered whether a substantial upfront payment made by an incoming resident of a retirement village should be characterised as a lease premium.

As background, the Belswan Partnership owned and operated a retirement village with nearly 4,000 residents. At the centre of this dispute was the upfront payment made by an incoming resident, which was referred to in the contract with the resident as a 'lease loan' payment. Crucially, the resident upon exit was also repaid a 'lease resale price' which was broadly intended to reflect the amount paid by the next incoming resident for the new lease, less various costs.

Following an audit for the 2019 to 2022 income years, the ATO treated the 'lease loan' as a lease premium, being a payment made to the landlord for the grant of the lease. What is also relevant is that the ATO considered the lease premium to be assessed on revenue account, given the nature of a retirement village's business which involved the recurrent granting of leases.

At least in relation to how the payment should be characterised, the Tribunal came to a different conclusion. The Tribunal considered that the upfront incoming payment should more likely be characterised as a loan rather than a lease premium, having regard to the following:

- The upfront payment had to be repaid which was consistent with a characterisation as a loan. While the amount to be repaid was unascertainable at the time of initial lease and could be repaid from a different source (i.e., the next incoming resident), this was not considered sufficient to turn the upfront payment into a lease premium;
- The resident also bore the risk of market fluctuations and via a repayment through the 'lease resale price' received the benefit or loss of any change in value on exit. As the resident received ultimately some value upon exit, the upfront payment was more akin to a capital sum that was invested rather than a lease premium; and
- Although not determinative, the financial statements of the retirement village were also consistent with this characterisation. The fees and various charges were recognised as income, rather than the 'lease loan' payments received on entry.

While 'loan lease' payment don't tend to occur outside specific industries (e.g., the retirement village industry), these characterisation issues can still be relevant for many clients albeit in a different form. In situations where clients make or receive upfront payments upon entry into a lease, the challenge is often trying to distinguish whether they should be characterised as lease premium or simply rent paid in advance. This distinction becomes relevant because a lease premium will often be dealt with on capital account with the main exception being where clients are in the business of granting leases, while rent should be dealt with on revenue account but not necessarily upfront when the amount is prepaid.

More information
Silverfern Investments (WA) Pty Ltd and Commissioner of Taxation [2026] ARTA 1619

Legislation

Treasury Laws Amendment (Tax Reform No. 2) Bill 2026

The *Treasury Laws Amendment (Tax Reform No 2) Bill 2026* has passed both Houses of Parliament without amendment and received Royal Assent on 26 August 2026. The Bill implements several tax measures announced in the 2026–27 Federal Budget, including a permanent loss carry-back regime and a permanent increase in the instant asset write-off threshold to $20,000.

Loss carry back offset

Schedule 1 to the Bill introduces a permanent loss carry-back regime for corporate tax entities that are not significant global entities.

For income years commencing on or after 1 July 2026, an eligible company with a tax loss will be able to carry back that loss against tax paid in either or both of the two preceding income years, potentially generating a refundable tax offset.

The rules include limitations, including where losses have been transferred within a corporate group under the relevant tax consolidation provisions. The resulting refund is also subject to the statutory limits under the new Division 160 rules.

$20,000 instant asset write-off

Schedule 2 of the Bill makes the $20,000 instant asset write-off (IAWO) threshold a permanent fixture of the rules from 1 July 2026.

Eligible small businesses with aggregated annual turnover of less than $10 million will be able to immediately deduct the full cost of eligible depreciating assets costing less than $20,000, provided the assets are first used or installed ready for use for a taxable purpose on or after 1 July 2026.

The threshold applies per asset, allowing businesses to claim immediate deductions for multiple qualifying assets in the same income year.

Assets costing $20,000 or more will generally be added to the small business simplified depreciation pool, with a 15% deduction in the first year and 30% in subsequent years. A pool balance can also be written off in full once the pool balance (ignoring current year depreciation deductions) falls below the $20,000 threshold at year end.

PNG rugby league team

Schedule 3 implements an income tax exemption for amounts of ordinary or statutory income derived in respect of employment with the PNG Chiefs Ltd from 1 July 2025 to 30 June 2035 inclusive.

Negative gearing amendments

Schedule 4 includes negative gearing amendments that address certain aspects of the new rules that apply from 1 July 2027.

For example, the effect of the 'home first used to be produce income' rule in section 118-192 should be disregarded when considering the acquisition date of a property. This means that a taxpayer can continue to claim negative gearing deductions for a residential rental property against other sources of income for a property that was acquired before 12 May 2026, even if they are deemed to have acquired the property again after this date as a result of the 'home first used to produce income rule' which forms part of the main residence exemption provisions.

New provisions have also been inserted to address scenarios where a residential dwelling (or a partial ownership interest in a dwelling) passes to someone following the death of the original owner and in situations where there is a relationship breakdown situation. In some cases, the rules allow the property to continue to be grandfathered from the negative gearing reforms, even though a change in ownership happens after 12 May 2026. The rules are complex though and always need careful consideration, but this is a positive development.

More information

[Treasury Laws Amendment (Tax Reform No. 2) Bill 2026]

[Next Tranche of Tax Reforms Pass the Parliament]