

News

June / July / August 2025

In this Issue

Close the Financial Year Strong – Plan for the Year Ahead 1

MUST READ

What do Labor’s Election Promises Mean For Me? 2

What Changes are Coming on 1 July 2025? 3

Motor Vehicle Cost Limits: What Businesses Can (and Can’t) Claim in 2025-26 4

Getting Ready for Carbon Accounting 5

Court Action on Corporate Trust Beneficiaries 6

Small-scale Subdivision and Property Development 7

Writing a Will in a Tax-Effective Manner 7

Understanding the VIX Index and S&P 500: Key Indicators of Market Volatility and Performance 8

Interesting Accounting Facts 8

Positive Thinking 8

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The June quarter end marks a pivotal point in your annual cycle!

Close the Financial Year Strong

Plan for the Year Ahead

2025

As we approach the end of another financial year, it is an opportune time to take stock of both financial and operational progress this year.

The June quarter end marks a pivotal point in your annual cycle — not just in terms of tax compliance, but as a checkpoint to revisit your broader business and investment objectives.

We understand that recent times have brought its fair share of challenges — from volatile markets, continued cost increases and margin pressure, to the uncontrollable and unfavourable weather patterns. Yet, time and again, we witness our clients respond to these challenges with resilience and foresight.

Confidence is building that the new financial year will hopefully bring more stabilised markets (more on the VIX index enclosed), moderating inflation, and the much-needed rain! Whilst no one can ever be sure what the future will bring, everyone can take steps to prepare for, and potentially take advantage of, the multitude of eventualities.

Leading into 30 June, it is the opportune time to:

- **Review your tax position early:** Pre-June 30 planning can yield significant tax advantages. Whether it is reviewing the timing of income and expenses, writing off bad debts or obsolete stock/equipment, realising capital gains/losses or making super contributions, now is the time to act.
- **Review investment strategies:** If you are not constantly reviewing your strategy, mark EOFY as one of the times in the year to reassess where markets are at, and where they are going.
- **Update your cash flow forecasts:** With the higher interest rates and supply chain pressures, understanding your liquidity is more important than ever.
- **Take stock of succession and estate planning:** Even a brief discussion can lay the groundwork for a comfortable retirement and stronger intergenerational transitions.
- **Get your records in order:** Rather than leaving things until due dates, keep on top of bookkeeping and record keeping while it is fresh in your mind to make tax time easier.

We encourage you not to mark the end of financial year as a finish line, but a launching pad to a prosperous year ahead.

General

What do Labor's Election Promises Mean For Me?



The Federal Labor party has been elected to return to government in the new parliament for another 3 years, with a clear majority.

The power they will hold in the parliament will likely mean they will push to legislate their election promises. Whilst the details and implications of these policies are still unclear, we make the following comments regarding some of these.

“Wipe 20% Off Student Debt”

- The date as to which this is to be effective has not yet been announced. If the date is in the future, there is little incentive to pay down these debts in advance or lodge outstanding tax returns inclusive of HELP debt repayments. Doing so may reduce the value of the 20% discount that is proposed to be applied.
- Note the annual indexing on the HELP debt is legislated to be applied on 1 June 2025 at a rate of 3.2%.

“Additional Tax On Superannuation Balances Over \$3 Million”

- Prior to the election being called, Labor had tabled a bill before parliament to enact this measure from 1 July 2025 however was unable to get it legislated due to opposing members of parliament.
- Under the before mentioned bill, whilst the start date was 1 July 2025, the tax would only be levied if a members superannuation balance was over \$3m as at 30 June 2026.

- Therefore, even if the previously tabled bill was legislated unchanged in the new parliament, superannuation members have until 30 June 2026 (rather than 1 July 2025) to review their affairs concerning the new tax.
- Noting the \$3m threshold was not proposed to be indexed, under the before mentioned bill, and is therefore designed to gradually ensnare a growing portion of the population.

“Taxing Of Unrealised Gains In Superannuation”

- Whilst a troubling fundamental change to tax policy, this measure is currently only proposed to apply to superannuation members with more than \$3 million in superannuation. It is not proposed to affect members with balances less than \$3 million (other than via additional administration costs).

“Tax Cuts For Every Taxpayer”

- Labor has proposed to:
 - ▷ From 1 July 2026, reduce tax on incomes between \$18,201 and \$45,000 from 16% to 15%.
 - ▷ From 1 July 2027, further reduce this tax rate from 15% to 14%.
- Noting the tax rate on superannuation contributions is unchanged at 15% (30% for those with adjusted taxable incomes over \$250,000), this measure reduces the incentive for lower income earners to contribute to superannuation, and may in fact penalise them.

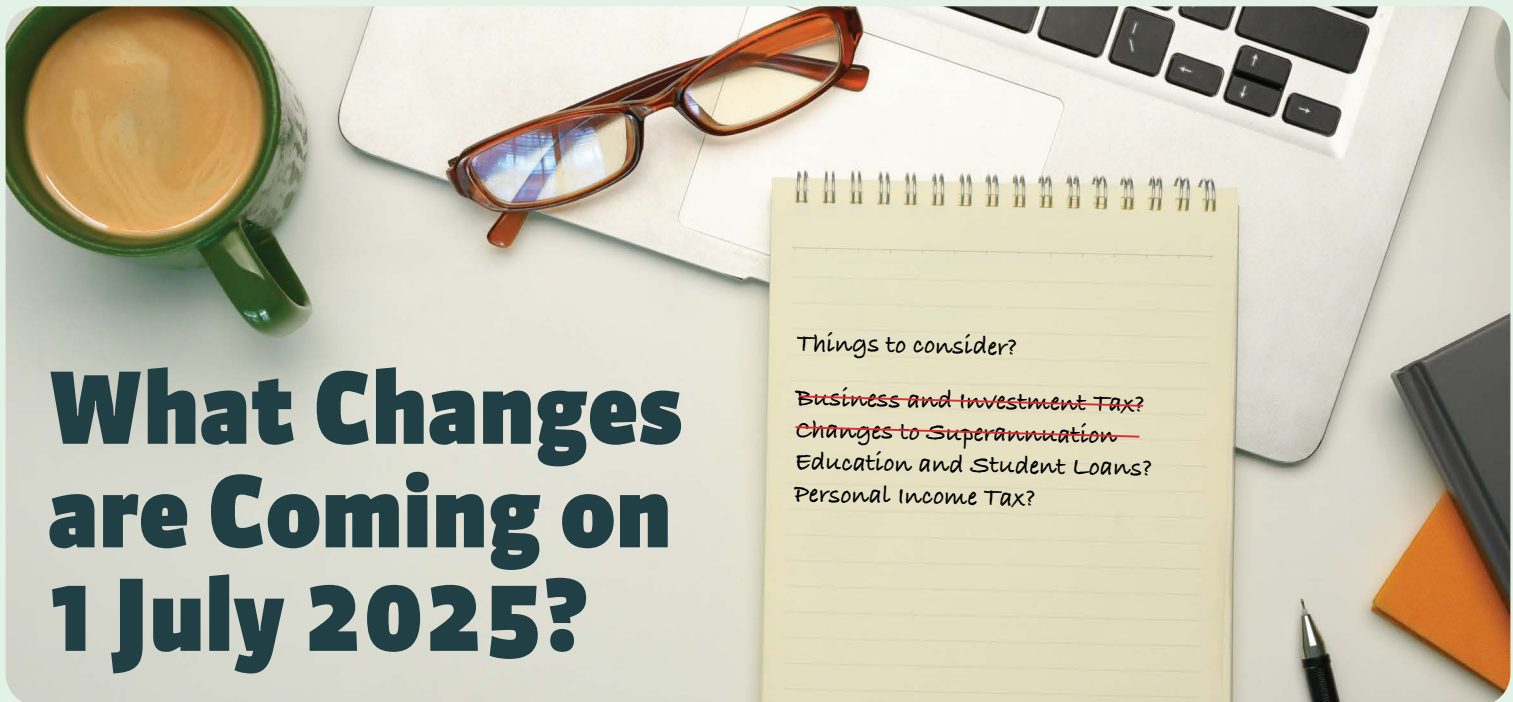
“\$1,000 Standard Tax Deduction For All Taxpayers” (From 1 July 2026)

- This is proposed to only apply to people earning “labour income” in the form of wages, and not those who simply have investment income or are sole traders.
- Will not benefit the taxpayers who incur more than \$1,000 of work-related expenses, often including motor vehicle, travel, home office, self-education expenses.
- Creates an incentive for wage earners to salary sacrifice work related expenses to effectively gain an additional non-incurred \$1,000 tax deduction.
- Creates an incentive for business owners who were previously remunerated by way of dividend or trust distribution to instead receive a small wage, to be eligible for the additional tax deduction.

“Tax Relief For Small Business”

- This proposal is simply to extend the \$20,000 instant asset write off to 30 June 2026 (noting it was due to expire on 30 June 2025, and reverting to a \$1,000 limit from then on).
- The prospect of a future extension will assumedly be raised in the lead up to 30 June 2026 (as has been the case annually in recent years).

Feel free to contact our office to discuss how the proposed policies may affect your personal tax affairs.



What Changes are Coming on 1 July 2025?

The end of the financial year generally marks a change to various tax rates and thresholds. Most of these are due to indexing/inflation, however some are legislative.

Following is a brief summary of some of the changes coming from 1 July 2025.

Business and Investment Tax Changes

- **Tax Debt Interest Charges No Longer Deductible:** Taxpayers will no longer be able to claim income tax deductions for interest charges imposed by the Tax Office, such as General Interest Charges (GIC) and Shortfall Interest Charges (SIC).
- **GDP Uplift Factor:** The GDP adjustment factor used to calculate quarterly GST and PAYG instalment amounts will decrease from 6% to 4% for the 2025–26 income year.

Superannuation

- **Superannuation Guarantee (SG) Rate Increase:** The SG rate will increase from 11.5% to 12% for payments of wages made after 1 July 2025 (even if accrued beforehand).
- **Transfer Balance Cap (TBC) Increase:** The general TBC will rise from \$1.9 million to \$2 million, thereby allowing individuals to start their retirement phase income stream after 1 July 2025 with up to \$2 million.
- **Superannuation on Paid Parental Leave:** From 1 July 2025, the government will begin paying superannuation contributions on Commonwealth-funded Paid Parental Leave.

Education and Student Loans

- **HELP Repayment Threshold Increase:** The income threshold for HECS-HELP repayments will rise from \$54,435 to \$67,000, allowing graduates to earn more before commencing repayments.
- **HELP Repayment Rate:** The repayment rate is proposed to change from an increasing scale of 1% to 10%, to a flat rate of 15% on adjusted taxable income in excess of the above-mentioned threshold up to \$125,000, then 17% thereafter.

Income threshold	Repayment from 1 July 2025	Current repayment	Annual reduction/ (increase)
\$60,000	\$0	\$600	\$600
\$90,000	\$3,450	\$4,500	\$1050
\$120,000	\$7,950	\$9,000	\$1050
\$150,000	\$12,950	\$13,500	\$550
\$180,000	\$18,050	\$18,000	(\$50)
\$200,000	\$21,450	\$20,000	(\$1,450)

Personal Income Tax

- **No New Tax Rate Changes:** There are no new personal income tax rate changes scheduled for 1 July 2025. The 2024–25 and 2025–26 marginal tax rates are the same.

If you need more detailed information or assistance regarding how these changes may affect your personal or business finances, please contact our office.

Accounting

Motor Vehicle Cost Limits: What Businesses Can (and Can't) Claim in 2025-26



If you are buying a vehicle for business use, it is essential to understand the motor vehicle cost limit — a rule that determines how much you can claim in depreciation and GST input tax credits. This limit, set by the Tax Office, applies specifically to passenger vehicles—generally those designed to carry fewer than 9 passengers or with a payload of less than 1 tonne.



What Is the Motor Vehicle Cost Limit?

The motor vehicle cost limit is the maximum value you can use to calculate:

- **Depreciation (decline in value) income tax deduction, and**
- **GST input tax credits**

This limit ensures that businesses cannot claim the full purchase cost for luxury or high-value vehicles when calculating their tax.

If a vehicle costs more than this limit, you can only claim up to the limit—not the full purchase price. The unclaimed amount is carried forward and offset against the vehicle's eventual sale price.



How Much Can You Claim in 2025-26?

The cost limit is indexed annually. For the **2025-26 financial year**, the motor vehicle cost limit is likely to be the same as the 2024-25 financial year - \$69,674.

Example scenarios:

- If you buy a vehicle for **\$60,000**, you can claim depreciation based on the full amount.
- If you buy a vehicle for **\$80,000**, your claimable depreciation is capped at **\$69,674**.



GST Implications

The **maximum GST credit** you can claim on a business vehicle is one-eleventh of the cost limit. For 2025-26 that is likely to be \$6,334.

Even if you paid more GST when purchasing the car, you cannot claim more than this amount. When the vehicle is sold, GST is remitted on the full price (irrespective of the fact only a portion of the GST was claimed on the purchase).



Exceptions to the Rule

The cost limit **does not apply** to the following types of vehicles:

- Vehicles designed to carry **more than 9 passengers**
- Vehicles with a **payload capacity over 1 tonne** (e.g. large commercial utes or trucks)
- **Motorcycles** and certain **off-road vehicles**
- Vehicles that are **not principally designed for carrying passengers** (explained below).



Vehicles Not Principally Designed for Carrying Passengers (such as Utes)

According to the Tax Office, a vehicle is **not principally designed for carrying passengers** if:

1. Its **primary design purpose** is to carry goods or equipment; and
2. The **passenger-carrying capacity is secondary** to that purpose.

The Tax Office considers both the physical design and the manufacturer's specifications when determining a vehicle's primary purpose.



How does the Tax Office Assess This?

To help assess whether a vehicle qualifies, the Tax Office uses a weight-based passenger load test:

- Each passenger seat is assigned **68 kg**
- For example, a 5-seat dual-cab ute has: $5 \times 68 \text{ kg} = 340 \text{ kg}$ attributed to passengers
- Therefore, if the vehicle's total **payload capacity exceeds 680 kg**, then less than 50% of its payload is allocated to passengers.

This method is useful when certain vehicle types do not meet the 1-tonne payload requirement stated earlier.

If this test is satisfied, the vehicle is generally not considered a passenger vehicle, and therefore the cost limit will not apply.

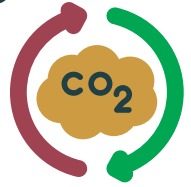


Why Understanding the Limit Is Important

Understanding the motor vehicle cost limit helps businesses make informed purchasing decisions. Over-claiming on depreciation or GST credits can result in **tax penalties**, while proper planning ensures your business stays within the rules and avoids surprises at tax time.

If you are considering a vehicle purchase for your business, check the latest Tax Office guidance or contact our office to confirm how the rules apply to your specific situation.

Getting Ready for Carbon Accounting



As from 1 January 2025, Australia's largest companies have been required to report on their carbon emissions.

To fulfil these obligations, these large businesses often request emissions data from their suppliers, pushing obligations further down the supply chain.

Whilst such compliance is an additional inconvenience and administration cost, businesses with modern bookkeeping software and practices are well equipped towards being able to track their emissions.

Below is a summary of actions that can be taken with existing bookkeeping software (ie. Xero, MYOB, Quickbooks etc.) to be on the front foot in accounting for emissions reporting.

1 Attach Supporting Documents to Transactions

Most invoices and receipts will include sufficient data to estimate carbon emissions. This includes the number of units purchased (ie. litres of fuel, kilowatts of electricity). By simply attaching such documents to the transaction in bookkeeping software, the necessary data may not be accounted for however is readily accessible for future reference, if necessary.

2 Enter the Quantity Details

Accounting for carbon emissions is similar to financial accounting. By referencing units when entering transactions, that data can be more easily collated and analysed when/if required.

3 Keep Supplier Details Up to Date

Emissions reporting regulations also includes reporting supplier details, and their emissions details. Keeping supplier details current, and correctly linking transactions with the correct supplier in the bookkeeping software, will make reporting much simpler.

Businesses that are diligent with the above will be capable of reporting on their emissions, if ever deemed necessary. Additional specialised carbon emissions reporting software (such as Sunday) can also be integrated with existing bookkeeping software to extract and report on the emissions data already entered.

General

Court Action on Corporate Trust Beneficiaries



There have been interesting developments in a court case between the Commissioner of Taxation and a Mr Bendel.

On 19 February 2025, the Full Federal Court unanimously held in favour of Mr Bendel that a private company beneficiary of a discretionary trust has not made a “loan” or “financial accommodation” to the trust merely by not calling for the payment of its trust distribution.

This potentially has implications for taxpayers with business structures involving trusts that have private corporate beneficiaries where the private company has not called for payment of a trust distribution, thereby creating an Unpaid Present Entitlement (UPE).

It’s a fine distinction, but the Full Federal Court said that in order for there to be a loan there has to be an obligation to repay an amount, which does not apply to a UPE as there is no legal obligation to repay anything.

Since 2010 the Tax Office has been operating on the basis that a UPE owing by a trust to a corporate beneficiary is a loan for the purposes of the Division 7A rules. These rules catch disguised distributions made by private companies to their shareholders or associates.

If the “loan” remains unpaid at the time of lodgement of the company’s tax return, the UPE amount is treated as an unfranked dividend in the hands of the trust unless the company and the trust enter into a complying loan agreement involving both capital and interest payments. This avoids the deemed dividend outcome but usually involves some tax costs and can also create funding and compliance issues for the trust.

The Tax Office has responded to the Full Federal Court’s decision by seeking special leave to appeal to the High Court. The outcome of the special leave application may not be known for some months, and if special leave is granted there is unlikely to be a decision much earlier than Christmas.

In the meantime, the Tax Office has revised its earlier Decision Impact Statement (DIS) by announcing that it will continue to apply its existing practice of treating UPEs as loans, controversially in defiance of the Full Federal Court’s decision.

If the Tax Office’s High Court challenge is unsuccessful, it is likely the Tax Office will approach the government for a law change. The previous Coalition Government announced in the 2018-19 Budget that it would legislate to make it clear that corporate UPEs are caught under Division 7A. To date, nothing has been done by either side of politics to follow through on that announcement but, depending on what happens in the High Court, a legislative response cannot be ruled out.

If the Full Federal Court’s decision stands (a big if) there will be major implications for discretionary trusts with corporate beneficiaries. In the longer term, it would make the funding of discretionary trusts a lot easier, while also reducing compliance costs.

In view of all this uncertainty, there is the question of what to do about 2023-24 UPEs. While taxpayers would be within their rights to rely on the Full Federal Court’s decision by not converting those UPEs into complying loan agreements, there are risks associated with that course of action. The safest approach might be to follow the Commissioner’s approach for now and lodge objections to protect your rights.

The best course of action will depend on each taxpayer’s unique set of circumstances.

If you are thinking of subdividing - THIS IS A MUST READ

Small-scale Subdivision and Property Development

So, you have decided to knock down your home and to build a couple of townhouses instead – and maybe live in one (but will just wait and see how things pan out)..

Likewise, you may have decided to subdivide your large backyard to do a similar thing.

In another case, you may have bought yourself a large block of land down the coast or in the country on which to build a holiday home (or your dream retirement home), but have now decided to build some houses on it to sell as the market is now in that region. (And you know how to manage a project; you have been doing it all your working life.)

In all of these scenarios, the Tax Office may take the view that you are engaging in small scale property development and that, as a result, your profits from this activity should be taxed as ordinary business profit (and possibly at the top rate of tax), and not just merely as a concessionally taxed capital gain.

Furthermore, where you may have “ventured” land into a property development project, the Capital Gains Tax (CGT) laws will apply to capture any capital gain (or loss) made on that land up until that time (but provided the land was not exempt from CGT, such as in the case of a home).

But there is one big advantage in being taxed as a property developer – you can generally claim your deductible costs each year as you incur them, and particularly interest on any money borrowed for the venture

On the other hand, if you are merely subdividing part of your backyard and selling it you will only be subject to CGT in respect of any gain or loss you make – and, what’s more, you can’t claim the CGT exemption for a home in this case.

In the case of a knockdown-rebuild of a home, where you move back into and make it your home in the required time periods, there will generally be no CGT consequences (albeit, one day the Tax Office may look more closely at this rule if it considers it to be badly exploited).

In relation to GST, it generally doesn’t apply to small-scale property developments unless you’re operating a business and registered for GST – or to put it another way, for one-off projects, GST is unlikely to apply, but subdividing and selling multiple lots could push you into GST territory.

But the application of GST to small-scale property developments is a complicated area. In short, the issue of how small-scale property development activities are taxed is complex – and will depend on the exact circumstances of the case.

So, it is vital to come and speak to us if you are considering undertaking such activity – or have already done so.

Writing a Will in a Tax-Effective Manner



When writing a will, people often leave assets equally to their children, who may be young at the time. However, a capital gains tax (CGT) issue can arise if those children later live overseas. If a beneficiary is a foreign tax resident when they inherit, the estate may face an immediate CGT liability in the deceased’s final tax return, reducing the estate’s value for all beneficiaries.

This tax is based on the asset’s market value at death and the deceased’s original cost. A key exception is for Australian real estate (and other “taxable Australian property”), which remains subject to CGT regardless of residency and is traceable by the ATO.

However, assets like ASX shares and standard unit trust investments can trigger this tax. Special rules exist for shares or units tied to real property, but they can be complex.

To minimize tax, it is crucial to structure your will with professional advice. This often means giving your executor flexibility in asset distribution. If you are bound by an existing will, there may still be ways to reduce the tax impact.

Also, consider giving your executor the authority to grant someone occupancy of your home after death, potentially preserving the CGT exemption for inherited homes.

Before drafting or updating a will, please consult with us to explore strategies for making it as tax-effective as possible.

Superannuation

Understanding the VIX Index and S&P 500: Key Indicators of Market Volatility and Performance

While recent volatility is real, the elevated VIX may reflect temporary fear.

Recent market turbulence has sparked investor anxiety, but much of the reaction appears to be overstated.

Two key tools for interpreting these shifts are the VIX Index and the S&P 500.

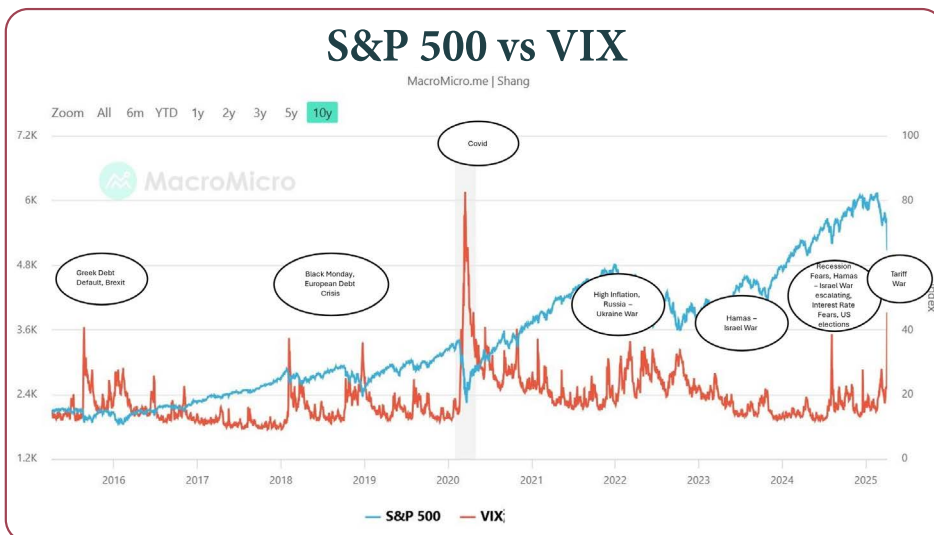
The **VIX Index**, or “fear gauge,” reflects expected 30-day market volatility, derived from S&P 500 option prices. When uncertainty rises—due to crises, geopolitical tensions, or economic concerns—the VIX tends to spike as investors seek protection. For example, major events like the 2020 COVID-19 outbreak, the 2022 Russia-Ukraine war, and 2024’s recession fears and U.S. tariff threats all triggered sharp VIX increases.

In contrast, the **S&P 500 Index** tracks the performance of 500 major U.S. companies across sectors. It serves as a snapshot of market and economic health. When the S&P 500 rises, investor sentiment is generally positive; when it falls, it suggests concern.

Importantly, the **VIX and S&P 500 share an inverse relationship**: when the S&P drops sharply, the VIX typically rises.

This pattern held during the 2020 crash and again in recent weeks, driven by fears around inflation, interest rates, and trade tensions.

The graph below shows the inverse relationship between the VIX and S&P 500 Index.



While recent volatility is real, the elevated VIX may reflect temporary fear. History shows markets often recover from such dips.

Positive signs are emerging—most notably, the U.S. moving towards trade deals. For long-term investors, current market conditions might offer strategic opportunities.

If you would like to discuss how this affects your portfolio, contact our Financial Planner, Gerrit Lombard. We are here to help you navigate with confidence.

IN BRIEF

Interesting Accounting Facts:

Accountants were among the first users of computers.

In the 1950s, big corporations and governments started using early computers like the UNIVAC to run payrolls and manage ledgers. Accounting was one of the first professions to be digitized.

Fighting taxes

In the late 18th century, Britain was engaged in the costly Napoleonic Wars, which stretched the nation’s finances.



There was a need for an effective way to raise revenue to fund the military conflict, so Prime Minister William Pitt the Younger introduced what is credited as the first modern income tax in his 1798 budget. The progressive tax went into effect in 1799 and was levied on incomes over £60.

This inspired other nations, including the US, which used its first income tax in 1862 to raise funds to fight the Civil War. Income tax was then solidified into the economy with Congress passing the 16th Amendment in 1909 and its ratification in 1913.

Positive Thinking

If you fail, never give up because F.A.I.L means “First Attempt In Learning.”

End is not the end. In fact E.N.D means, “Effort Never Dies.”

If you get NO as answer, remember N.O. means, “Next Opportunity.”