

2025 Tax Returns – What’s New?

With many 30 June year-end taxpayers having completed their tax effect accounting and / or distribution reviews for the year and looking towards tax lodgements for the 2025 year, we have outlined below some key changes to 2025 tax return forms and schedules:

General

- **Reducing the use of cheques for refunds** – ATO now has discretion to retain certain tax refunds and credits for up to 90 days where the relevant taxpayer has not provided valid Australian financial institution details. Where this occurs, the individual will be contacted by letter, email or through a myGov message.
- **Housing tax incentives** – build to rent – new label for build to rent capital works deduction at 4%.
- **Debt deduction creation rules** – thin capitalisation application question updated to include the new debt deduction creation rules (which apply for the first time in the 2025 income year).

Individuals

- **Work from home fixed rate** – the fixed rate for work from home expenses for 2024-25 is 70c per work hour.
- **Cents per kilometre rate change** – from 1 July 2024, the cents per kilometre rate is 88c for work-related car expenses.

Trusts

- **New labels** – (1) Is the trust a Withholding MIT? (2) Is the trust a stapled MIT?
- **MIT type** – additional MIT types added - A – Affordable Housing MIT; B – Build to Rent MIT; C – Clean Building MIT; E – Equity MIT; H – Hybrid MIT; P – Property MIT (tiebreaker disclosure if MIT is more than one type).

AMIT

- **Withholding MIT** – new question for whether the trust is a withholding MIT.

International Dealings Schedule

- **Debt deduction creation rules** – new Section H (Debt deduction creation rules) to reflect the operation of Subdivision 820-EAA of the ITAA 1997, including any restructuring by 2025 early balancing entities in light of anticipated future application of the DDCR.

Reportable Tax Position Schedule

- **New questions**
 - Question 46 – application of certain aspects of the “liable entity” and “hybrid payer” definitions to your arrangements (Taxation Determination TD 2024/4).
 - Question 47 – restructure(s) in response to the debt deduction creation rules (DDCR) in Subdivision 820-EAA of the ITAA 1997.

General Comments

Recent reviews conducted by the ATO have indicated an increased focus on correct and complete disclosure of lodged income tax returns and schedules. Documentation to support the disclosure (or non-disclosure) of specific items is regularly requested by the Commissioner as part of any review.

In particular, it is important for taxpayers to consider the detailed guidance that the ATO has provided for the completion of forms, as well as public rulings, determinations and taxpayer alerts which identify certain areas of focus that need to be correctly considered and then disclosed in lodged returns.

Deputy Commissioner speaks on ATO tax administration developments

ATO Deputy Commissioner, Rebecca Saint, has shared her five key issues for large taxpayers from an administrator's perspective in her [speech at the CPA Tax Forum 2025](#). Key highlights from her speech are outlined below:

1. Investment in large market compliance remains high, supporting high levels of tax compliance

- The ATO continues to have a high level of confidence that most large businesses are meeting their tax obligations, primarily on a voluntary basis but even more so after ATO compliance activity. Despite the high levels of voluntary compliance, the level of ATO investment in resourcing of large market compliance is expected to remain.

2. High assurance supports resourcing savings and provides tax certainty

- The majority of large businesses are meeting their tax obligations. Currently:
 - 83% of Top 100 taxpayers hold either high or medium overall assurance ratings (with 64% achieving an overall high assurance rating)
 - 89% of Top 1,000 taxpayers rated as high or medium overall assurance
- The ATO has re-focused the Top 100 program to real-time engagement, providing tax certainty pre-lodgement. The Top 1,000 program has been reshaped to provide a tailored assurance review for taxpayers based on their unique tax profile (including previous assurance ratings).
- The ATO expects increasing levels of GST assurance, and together with the introduction of the Supplementary Annual GST Return, will reduce reliance on the justified trust program to assure GST compliance.

3. Disputes are a feature of a good tax system, but profit shifting will remain a focus area

- Profit shifting disputes comprise roughly 70% of the ATO's audit program.
- Mischaracterisation of arrangements, business models and global value chains is an increasing area of focus and dispute.
- The ATO is continuing to increase its investment in management of dissipation and other disposal risks on exit by foreign shareholders e.g. through private capital strategy and focus on multinationals exploiting the multiple entry consolidated (MEC) rules.
- The ATO will use formal powers, including issuing formal notices to offshore entities and third parties and formal interviews of key personnel, and will pursue exchange of information with other jurisdictions. Recent changes to the Local File are expected to improve ATO's ability to differentiate usual commercial arrangements from those that are tax motivated.

4. Achieving tax certainty

- The ATO recognises and supports the need for tax certainty by business and remains committed to investing in the development of programs and tools to help taxpayers make informed decisions about their tax affairs.
- The ATO continues to prioritise their advance pricing arrangement (APA) program and offers one-to-one tailored engagement (including through private rulings and justified trust programs).

5. Transparency as an expectation, not an option

- Tax transparency has increased over the years with measures including corporate tax transparency and the requirement to prepare and lodge general purpose financial reports.
- Public country-by-country reporting represents a significant shift in tax transparency for multinationals operating in Australia. The ATO is currently consulting on a limited exemption to the regime.
- The ATO will be releasing two key publications:
 - Public Groups Findings Reports – provides insights as to how the ATO's key compliance programs performed in FY24
 - Corporate Tax Transparency Report – annual report on total income, taxable income and tax paid of largest corporate groups.

Contact

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