Tax News & Insights

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OmniTax Professionals

Tax Changes from 1 July 2026

Taxpayers should note that there are various tax changes that will be applicable from 1 July 2026. Some of these changes are summarised as follows:

1. *Payday Super* – the Payday Super regime will be in effect from 1 July 2026 and will require employers to pay superannuation guarantee contributions within 7 business days of each payday. This regime replaces the long-standing current requirement to pay quarterly superannuation guarantee contributions 28 days after the end of the relevant quarter. Employers should ensure that appropriate systems and arrangements are in place to comply with the new rules.

   Note, superannuation guarantee charge payments (excluding interest and penalties) will become deductible from 1 July 2026 (they are currently non-deductible).

2. *Staples Concession* – the 7-year transitional relief period for managed investment trust cross-staple arrangement income is due to expire on 30 June 2026. This will result in the effective tax rate for foreign investors in the MIT on such income increasing from 15% to 30% from 1 July 2026. The expiry of this transitional relief may require taxpayers to consider restructuring and operational changes to their existing structures. For completeness, the transitional relief period for staples that hold economic infrastructure facilities continues until 30 June 2034.

3. *Individual Income Tax Rates* – the 16% marginal income tax rate applying to income between $18,201 and $45,000 will reduce to 15%, resulting in an annual tax saving of $268 for taxpayers earning more than $45,000. The marginal income tax rate for this bracket will further reduce to 14% from 1 July 2027.

4. *Superannuation Concessional Contributions Cap* – increase to $32,500 (currently $30,000). Note, care should be taken to ensure this cap is not exceeded because of the Payday Super changes (as there may be 13 months of super payments received in FY27).

5. *Superannuation Non-Concessional Contributions Cap* – increase to $130,000 (currently $120,000).

6. *Superannuation Bring Forward Rule* – the 3-year bring-forward rule for making non-concessional contributions will increase to $390,000 (currently $360,000). There is no change to the catch-up concessional contribution rules (i.e., you can continue to use unused caps from previous years if your total superannuation balance is less than $500,000 on 30 June 2026).

7. *Maximum Contributions Base* – the maximum earnings on which an employer is required to pay superannuation is expected to be $270,830 (currently $250,000).

8. *Transfer Balance Cap* – the general transfer balance cap will increase to $2.1 million (currently $2 million). Further, the defined benefit income cap will increase to $131,250 (currently $125,000). The transfer balance cap is a lifetime limit on the total amount of superannuation that can be moved into a tax-free retirement pension account.

9. *Division 296* – though not yet legislated, from 1 July 2026, an additional 15% tax will be imposed on earnings based on the percentage of an individual's total superannuation balance exceeding the $3 million threshold and a further 10% tax on earnings based on the percentage of total superannuation balance exceeding $10 million. This will result in the overall tax rate applied to earnings of 15% for superannuation balances up to $3 million, 30% to earnings on superannuation balances between $3 million and $10 million, and 40% to earnings on any superannuation balances above $10 million.

10. *Standard Tax Deduction* – taxpayers will become eligible to claim a flat $1,000 deduction for work-related expenses, instead of substantiating individual costs. Note, the standard tax deduction is a choice, and taxpayers may continue to claim deductions for actual work-related expenses.

Thin Capitalisation – Third Party Debt Test choice for FY2024 & FY2025

Under PCG 2025/2, taxpayers have a window of time to retrospectively apply the third party debt test in respect of the 2024 and 2025 income years where necessary changes are made to existing arrangements to comply with the third party debt conditions and conduit financing conditions. Where a taxpayer did not make an election to apply the third party debt test for the 2024 and 2025 income years and now wishes to do so (given the finalised guidance on 1 October 2025), an application needs to be made to the ATO to seek an extension of time to make this election by *1 April 2026*. The application may only be made once all required changes to comply with the third party debt conditions and conduit financing conditions (if relevant) have been made.

SNA Group case – undocumented service fees not deductible

The Full Federal Court has allowed the Commissioner's appeal in *FC of T v SNA Group Pty Ltd & Anor [2026] FCAFC 10* against the previous Federal Court decision.

The Federal Court case concerned an appeal by the taxpayer against amended income tax assessments and penalty assessments made by the Commissioner. At issue was whether service fees between related parties were deductible in circumstances where the agreements giving rise to the liabilities were informal (i.e., not formally documented). The position taken by the Commissioner was to deny deductions for the service fees charged between entities within the private group (the Coronis real estate group). The Commissioner asserted that the arrangements were not formally documented and hence were in the nature of "profit stripping" and therefore was not satisfied that the various criteria necessary for a deduction were satisfied.

The Federal Court found that 'perfect' documentation is not necessary to claim a deduction for genuine business costs and allowed the taxpayer to claim a deduction based on credible, candid and honest verbal evidence from the Coronis' group owners and controllers.

However, the Full Federal Court has overturned the Federal Court decision and ruled that there was insufficient evidence of an objective manifestation of mutual assent of the relevant parties to contract on terms by which the taxpayers were liable to pay a fair and reasonable fee for use of trust assets. In particular, it was ruled that the conduct of the taxpayers in making periodic payments and assigning codes in the relevant books and records was not sufficient evidence from which to infer a request for the provision of services or assets or an agreement to pay a fair and reasonable fee. Moreover, none of the entries in the books and records of the taxpayers were made, and none of their financial statements were prepared, on the basis that the taxpayers were liable to pay the trustees a fee for the relevant services.

The decision by the Full Federal Court highlights the importance of contemporaneous documentation that supports the commerciality and cash flow of all intra-group arrangements. The onus of proof for any related party arrangements always remains with the taxpayer and cannot be satisfied by books and records that are not consistent with or supported by underlying legal documentation.

Baya Casal case – taxpayer's position genuinely redundant

The Full Federal Court in *FCT v Baya Casal [2026] FCAFC 11* has unanimously dismissed the Commissioner's appeal from the previous Federal Court decision.

In upholding the decision of the Federal Court, the Full Court has confirmed that an early learning assistant had been made genuinely redundant on the basis that while she was offered alternative employment in a similar position, it was offered based on, among other things, significantly reduced hours and duties. This meant that her position had become genuinely redundant.

Note, although it was accepted that a reduction in remuneration did not of itself demonstrate that a position had become redundant, it could support a conclusion that a position had become redundant where the reduction in remuneration resulted from a change to the scope or the responsibilities or duties to be performed, the scale of the tasks to be carried out or the location of the role. The court ruled that having regard to the nature of her employment, her total hours of work had diminished to a point where for practical purposes the reason for her dismissal was because her position had become redundant.

Simplified Transfer Pricing Documentation for Low-Level Loans

The ATO has updated its Practical Compliance Guideline PCG 2017/2 in relation to simplified transfer pricing record keeping options for low-level inbound and outbound loans for the 2025-26 year. In particular, the update notes:

- The maximum interest rate for low-level inbound loans for the 2025-26 year is 4.90%.
- The minimum interest rate for low-level outbound loans for the 2025-26 year is 4.90%.

Where a qualifying taxpayer applies one or more of the options in PCG 2017/1, then the Commissioner will generally not allocate compliance resources to review the covered transactions or arrangements, other than reviewing the eligibility to use the option applied.

For reference, the eligibility criteria for taxpayers includes having a combined cross-border loan balance of $50 million or less for the Australian economic group, the loans being AUD denominated and associated expenses being paid in AUD.

Contact

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