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SIMPLIFIED $1000 DEDUCTION – SHOULD I, OR SHOULDN'T I?

Caratti Accountants & Business Advisors

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Effective 1 July 2026, a new standardised $1000 instant tax deduction will be available for work related deductions. This is great for simplification and record-keeping as it means that you may not need to keep receipts and still be able to claim a $1000 tax deduction. However, the devil of this is in the detail and in many circumstances, you may be better off not using this simplified method.

How does it work?

Instead of keeping receipts for your work-related deductions, you will no longer need to do so and will be able to make a claim of $1000 instead without receipts and substantiation. However, it means that some other costs will no longer be able to be claimed eg motor vehicle costs and you will need to elect which method is better for you.

This is only available for work related deductions, so you need working income to claim this, not just investment or business income.

Do I need to actually have spent $1000 to claim this?

No, you will not need to have spent this money nor keep receipts for this deduction.

Does it mean that I get $1000 extra tax back in my tax refund?

No, this is a deduction and the benefit you receive will be limited to your tax rate. For example, if you are on an effective tax rate of 25%, then the cash impact of the $1000 deduction will be $250. If you don't currently pay any tax, there will be no benefit to you.

What if I have spent more than $1000 in work-related costs?

In that case, you may be better off not using this but instead continuing with the current rules where you can substantiate your costs and claim more. You need to elect to use the $1000 instant tax deduction.

When does it apply from?

- *This effectively applies for the 2026/20267 year and is effective from 1 July 2026*
- *Existing rules will continue to apply for the 2025/2026 year.*

What other costs can I still claim in addition to the $1000?

One of the problems with the instant $1000 deduction is that it removes some of the other work-related deductions that you can claim. Please refer to the table on the next page for a list of what you can/can't claim in addition to the $1000 instant tax deduction.

Some of the deductions that you can still claim in addition to the standard deduction include.

- Expenses that are not work-related eg rental costs, investment expenses and donations
- Union and professional membership fees
- Income protection fees

I currently salary sacrifice some deductible costs with my employer. Does this change impact me?

Yes, this does impact me as my employer may be potentially liable for Fringe Benefits Tax on those benefits that they provide me. This is because you will no longer be able to use the "otherwise deductible rule" to exempt you and your employer from Fringe Benefits Tax. In this case, you will need to discuss this with your employer.

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Deduction category	Included in standard deduction	Not included in standard deduction
1. Deductible work-related **car expenses** under the: • cents per km method; and • logbook method.	✔	
2. Deductible **travel expenses** related to overnight work-related travel (e.g., transport expenses other than 'car expenses', accommodation expenses, meal expenses and incidental travel expenses). These include deductible **travel allowance expenses** up to the ATO's prescribed amount under the substantiation exception in S.900-50 and S.900-55.	✔	
3. Deductible work-related **travel expenses not** related to overnight travel (e.g., transport expenses other than 'car expenses'), such as:		
• travel between related (regular) places of work (e.g., two places of work for the same employer);	✔	
• travel between two unrelated (regular) places of work (e.g., travel between two different jobs for different employers), neither of which are situated at the taxpayer's home; and	✔	
• travel to an alternative workplace (e.g., a client's premises).	✔	
4. Deductible work-related **self-education** expenses.	✔	
5. Deductible work-related **clothing** (e.g., a compulsory uniform and protective clothing).	✔	
6. **Laundry costs** of deductible work-related clothing.	✔	

Deduction category	Included in standard deduction	Not included in standard deduction
7. Deductible work-related **home office expenses** (e.g., utility costs, home internet and phone costs).	✓	
8. **Depreciation** (or decline in value) deductions for work-related tools and equipment – Subdivision 40-B	✓	
9. **Depreciation** (or decline in value) deductions in respect of a **low-value pool** – Subdivision 40-E		✓
10. **Balancing adjustment** deductions under S.40-285(2) related to work-related tools and equipment.	✓	
11. Deductible **repairs** to work-related assets (e.g., tools and equipment).	✓	
12. Deductible work-related **car parking** (e.g., when visiting a client).	✓	
13. Deductible **union fees**.		✓
14. Deductible professional association **subscriptions**.		✓
15. Deductible gifts and **donations** to deductible gift recipients (e.g., registered charities).		✓
16. **Investment-related** deductions (e.g., interest costs, management fees and investment advice).		✓
17. Deductible **tax-related expenses** (e.g., tax agent fees).		✓
18. Deductible **personal super contributions**.		✓
19. **Income protection** insurance premiums.		✓
20. **Personal sickness** insurance premiums.		✓
21. **Accident** insurance premiums.		✓
22. Deductible **rental property expenses** (e.g., interest, depreciation, repairs and real estate agent fees).		✓

Source: NTAA Tax Schools Day 1 2026 notes