

**March 2026**

TAX NEWS, VIEWS & CLUES FROM AUSWILD & CO  
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## **Investment properties: tax return errors that trigger ATO follow-up**

Owning an investment property can be tax-effective, but it's also one of the ATO's most closely monitored areas. Here are five errors that most often trigger ATO follow-up, and the related issues to keep in mind.

### **Over-claiming repairs that should be capital works**

Repairs and maintenance can be claimed for work that remedies or prevents defects, damage or deterioration arising from using the property to earn income. These expenses are generally deductible in the year they are incurred. By contrast, capital works are structural improvements, alterations or extensions that go beyond merely fixing wear and tear. If the work improves the function or value of the property, it's likely to be capital in nature. Capital works are usually claimed at 2.5% over 40 years (subject to specific exceptions).

### **Claiming incorrect interest deductions**

If a loan is used for both private purposes and rental property expenses, the interest must be apportioned. You can only claim the portion that relates to the rental property.

### **Claiming deductions during private use periods**

You can't claim deductions for interest or other expenses for periods when a holiday home or mixed-use property is used privately, even if the private use is brief. To legitimately claim deductions, the property must be rented or genuinely available for rent. A property may not be considered genuinely available if it's advertised only through limited channels, offered only during periods of very low demand, or subject to unreasonable conditions such as above-market rent or overly restrictive tenant requirements.

## **Poor record keeping and lack of substantiation**

You must keep records of your rental income and expenses for at least five years from the date you lodge your tax return. If a dispute with the ATO arises during that period, you must retain relevant records until the dispute is resolved.

### **Not reporting all rental-related income**

Rental-related income includes more than just rent. It can also include bond money retained for unpaid rent or damage, letting or booking fees from cancelled reservations, and insurance payouts, whether for property damage or loss of rent. Disaster relief payments received in relation to a rental property may also be assessable.

## **Is your business misreporting FBT on work vehicles?**

If your business provides work vehicles to your employees, the ATO wants to ensure you're meeting your fringe benefits tax obligations.

The ATO has identified several practices that can lead to audits, penalties and interest charges:

- failing to lodge an FBT return when required;
- assuming private use of a dual cab ute is automatically exempt;
- incorrectly claiming vehicle exemptions;
- avoiding apportioning private and business use; and
- not keeping adequate records, such as valid logbooks.

If you make a vehicle available to your employees, or their family members or associates, for private use, it may be subject to FBT. This means you may need to lodge an FBT return and pay FBT.

The key is understanding when a work vehicle becomes a fringe benefit. Simply providing a vehicle for work purposes doesn't automatically trigger FBT, but allowing private use generally does.

## Time is running out for small business super clearing house users

If you're one of the thousands of small businesses using the Small Business Superannuation Clearing House (SBSCH), you need to act now. The service will permanently close on 1 July 2026. From that date, the SBSCH will no longer process payments or allow access to historical records. The closure is part of the government's payday super reforms, which aim to modernise how employers pay superannuation.

The ATO recommends making the January to March 2026 quarter your last quarter using the SBSCH, giving you a buffer to establish your new process.

Your immediate priorities should be:

- **Choosing your alternative payment method:** Check if your existing payroll software already includes super payment functions. Many modern payroll systems offer integrated superannuation payments that meet SuperStream requirements.  
Alternatively, you can use commercial clearing houses or online payment services offered by some large super funds.
- **Downloading your records before 1 July 2026:** This is crucial, because once the service closes, your transaction history and employee details will be permanently inaccessible. You'll need these records for future audits and employee queries.
- **Switching early to avoid problems:** By transitioning before the deadline, you'll have an established process in place and reduce the risk of late payments for the April to June 2026 quarter.

The ATO's SuperStream Product register lists certified payroll software and service providers that can handle your super payments. Many offer additional features like automated calculations, compliance reporting and integration with your existing accounting systems. Large super funds also often provide online payment portals, and commercial clearing houses offer similar services to the SBSCH but with enhanced features and ongoing support.

## Superannuation changes proposed for high balances and low-income earners

The government has introduced legislation that proposes significant changes to Australia's superannuation system that could reshape retirement savings for millions of Australians. It targets both ends of the income spectrum, applying higher tax for those with very large super balances while boosting support for low-income earners.

The Bill proposes a tiered Division 296 tax system for superannuation earnings on balances exceeding \$3 million, commencing 1 July 2026:

- the current 15% tax rate would remain for earnings on balances up to \$3 million;
- earnings on the super portion between \$3 million and \$10 million would be taxed at an effective 30% rate; and
- earnings on amounts above \$10 million would face a 40% effective tax rate.

These thresholds will be indexed to keep pace with inflation. The new tax would apply only to future realised earnings, not unrealised capital gains on unsold assets.

This change would affect fewer than 0.5% of current superannuation members – approximately 80,000 Australians with extremely large super balances. For the vast majority, superannuation tax arrangements would remain unchanged.

The low-income superannuation tax offset (LISTO) is proposed to receive a significant boost from 1 July 2027: the eligibility threshold would increase from \$37,000 to \$45,000; the maximum payment would rise from \$500 to \$810; and automatic indexation would tie future adjustments to tax thresholds and superannuation guarantee rates.

The government says these changes will benefit over 1.3 million Australians, with around 60% being women. Treasury estimates eligible workers could see an average retirement benefit equivalent to an extra \$15,000.

If you have a large superannuation balance, the changes could significantly impact your retirement planning strategy. The proposed tax increases represent a substantial shift in how high-balance superannuation is treated.

For low-income earners, the enhanced LISTO could provide meaningful support. The higher threshold would mean more workers qualify for the offset, while the increased payment amount means better tax outcomes on superannuation contributions.

Remember, this is proposed legislation that must pass Parliament before becoming law. The Bill may be amended during the parliamentary process, and implementation details are still being finalised.