Practice Update

Please read this update and contact this office if you have any queries

MARCH 2026

$20,000 instant asset write-off extended

Editor: The Government recently passed legislation to extend the $20,000 instant asset write-off for small businesses by 12 months to 30 June 2026.

Taxpayers should note that if their business has an aggregated annual turnover of less than $10 million, they may be able to use the instant asset write-off ('IAWO') to immediately deduct the business portion of the cost of eligible assets which cost less than $20,000.

Eligible assets must basically have been first used (or installed ready for use) between 1 July 2025 and 30 June 2026. The $20,000 limit applies on a per asset basis, so taxpayers can instantly write-off **multiple** assets.

The IAWO can be used for both new and second-hand assets (but some exclusions and limits apply).

Editor: Please contact our office if you require assistance regarding the above, including in relation to also claiming deductions for improvement costs for certain assets.

Businesses using cash to dodge obligations

The ATO is 'cracking down' on businesses that use cash to avoid meeting their tax, employer and business obligations. Businesses that do this may:

- fail to report all sales transactions and fail to issue receipts;
- avoid paying GST, income tax, PAYG withholding, super guarantee, insurance and work cover protection;
- report their income below the $75,000 threshold to avoid registering for GST;
- exploit workers by not meeting award conditions and work cover protections; or
- undercut honest businesses by offering cheaper prices for cash.

The ATO warns that workers who are paid cash-in-hand or working 'off the books' are often disadvantaged. Apart from not receiving the entitlements they should be, if they are injured at work, they may not be protected.

Contractors omitting income

Through data matching, the ATO is seeing some contractors incorrectly reporting or omitting contractor income. Contractors need to report all their income in their tax return, including payments made by businesses for their contracting work.

Note that, as part of the taxable payments reporting system ('TPRS'), certain businesses must lodge a *'Taxable payments annual report'* ('TPAR') to report payments made to contractors for providing the following services:

- building and construction;
- courier;
- cleaning;
- information technology;

- road freight; and
- security, investigation or surveillance.

For taxpayers who work as a contractor and provide any of these services, the business they contract to should be reporting those payments to the ATO on their TPAR. Contractors obviously then need to include this income on their tax return.

If the ATO suspects a contractor may have omitted TPRS income on their tax return, it may contact them to request they amend their tax return. If the contractor does not take action, the ATO may conduct a review and audit of their business, and penalties and interest may apply.

Government payments programs

The ATO is reminding taxpayers that receive government payments for delivering services under a Commonwealth program, such as healthcare, disability support or child care, that they have an obligation to:

- keep accurate records; and
- report any such income they receive in their tax return.

The ATO recently advised that it would be contacting taxpayers and tax agents in February by email to ensure that income received from government agencies (such as the Aged Care Subsidy or under the National Disability Insurance Scheme) is reported correctly in their tax returns.

The ATO has updated its Government Payments Program data-matching program protocol to better detect non-compliance, and work more effectively with other government entities.

Check GST credit claims before lodging BASs

Taxpayers who are registered for GST can claim GST credits (or 'input tax credits') for the GST included in the price of goods and services they buy for their business.

However, if they buy something for both business and private use, they need to **apportion** their GST credit to only claim the business use.

For example, if they buy a car for ride-sourcing (e.g., to use as an Uber driver), they should work out the percentage they use it for business purposes and only claim a GST credit on that amount.

Editor: Please contact our office if you require assistance with any of this, including potentially using 'annual private apportionment' to account for the private portion of your business purchases.

When completing their next BAS, the ATO is asking taxpayers to remember that they cannot claim GST credits for purchases:

- where they do not have a tax invoice;
- that were cancelled or reversed; or
- that do not have GST in the price (such as bank fees).

Taxpayers that have nothing to report still need to lodge a 'nil' BAS by the due date.

Work-related expense claims rejected by ART

The Administrative Review Tribunal ('ART') recently disallowed a taxpayer's claims for many different types of work-related expenses.

The taxpayer was employed full-time as an engineer, working from home two days a week. For the 2023 income year, he claimed deductions totalling over $61,000, in relation to (among other things) car expenses, travel expenses, clothing expenses, and home office expenses, all of which he claimed were work-related.

The ATO largely disallowed these deductions, and the ART affirmed the ATO's decision, primarily due to problems with substantiating these claims.

For example, in relation to the car expenses, the ART noted that none of the log books were contemporaneous, and the log book entries were inconsistent with independent records (e.g., car service records).

In relation to travel expenses (taxi and Uber fares), the ART noted that the taxpayer did not provide evidence clearly identifying which travel expenses had been reimbursed by his employer, and the ride share documentation did not include the date, time or destination of travel.

In relation to home office utility expenses, the ART noted that the taxpayer only provided calculations estimating the business use proportion of those expenses, without providing any documentary evidence to substantiate the expenses themselves. In any case, the ART was not satisfied that the taxpayer's apportionment of those expenses was fair and reasonable.

Please note: Many of the comments in this publication are general in nature. Anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.