TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

AUTUMN 2025

IN THIS ISSUE:

- Work-From-Home Fixed Rate Method Increase For 2024-2025 Year
- Purchasing A Commercial Vehicle In A Company
- The Instant Asset Write-Off Extended Once Again

And More...

Embark TAX SERVICES

Make Sure You're Getting The Right Advice This Tax Time

With the end of the financial year fast approaching, many people start looking for quick answers about deductions, income reporting, and how to get the best result on their tax return.

And while it might be tempting to ask Google - or even ChatGPT - for guidance, **there's no substitute for tailored, professional advice when it comes to tax.**

There has been a trend in people increasingly relying on online forums, social media, and AI-generated content for tax-related decisions. While some general information can be helpful, it's often **too broad, outdated, or simply incorrect** for your specific situation.

The reality is: your tax circumstances are unique. What applies to one person or business may not apply to you. Making assumptions based on generic advice could mean:

- Missing out on deductions you're actually entitled to
- Claiming items incorrectly and risking ATO scrutiny
- Overpaying tax unnecessarily

As accountants, we work with you to understand your individual or business circumstances. Whether it's structuring your finances, planning for tax time, or ensuring you're meeting all your obligations, our role is to help you **get it right** for **the first time**.

So if you're unsure about anything this financial year — work-related deductions, capital gains, business reporting, or super contributions — don't leave it to guesswork.

Reach out to us for advice that's accurate, up-to-date, and tailored to your needs. We're here to support you in making smart, informed decisions that benefit you in the long run.

EMBARK TAX SERVICES

2 - 4 BRICE AVENUE

MOOROOLBARK
VIC 3138

TEL 03 9727 5811

FAX 03 9727 5822

EMAIL

info@embarktax.com.au

WEBSITE

www.embarktax.com.au

Individual
Sole Trader
Partnerships
Trusts
Companies
SMSF
Other

Depreciating Assets This Tax Time - How Does It Work?

*When you purchase equipment or other long-term assets for your business, you may not be able to claim the full cost upfront. However, you can generally claim a deduction over time for the decline in value of those assets - a process known as **depreciation**.*

A **depreciating asset** is any item you use in your business that has a limited effective life and is reasonably expected to lose value as it's used. Common examples include computers, office furniture, tools, and motor vehicles. These are capital assets, meaning they provide benefit over more than one year, and so, rather than claiming them as an immediate deduction (in most cases), you claim the **decline in value over time**.

FOR EXAMPLE

A sole trader purchases a new laptop for $2,400 (including GST) on 1 August 2024 to use exclusively in their business. The laptop has an effective life of 3 years.

Under Australian tax law, this laptop is considered a depreciating asset because:

- It is used to produce assessable income (business use),
- It has a limited effective life (it won't last indefinitely), and
- Its value is expected to decline over time with use.

The business owner can claim a **deduction for the decline in value** of the laptop over its effective life using either the **diminishing value** or **prime cost** method — or, if eligible, they might be able to use the **instant asset write-off** under simplified depreciation rules for small businesses.

WHAT ISN'T A DEPRECIATING ASSET?

It's important to note that **land and trading stock are excluded** from being depreciating assets. Most intangible assets (like goodwill) are also excluded — though there are exceptions. You can claim depreciation on items such as in-house software, certain intellectual property rights, mining rights, and some telecommunications assets, provided they are not considered trading stock.

Interestingly, **improvements to land**, such as fences, windmills, and irrigation systems, may also be treated as depreciating assets, even though they are fixed to the land. They are considered separately for depreciation purposes, regardless of whether they can be physically removed.

Understanding what qualifies as a depreciating asset is crucial for accurate tax reporting and maximising your deductions.

For small businesses, the ATO also provides access to **more straightforward depreciation rules**, such as the instant asset write-off and small business depreciation pools, which can help smooth out cash flow and simplify record-keeping.

If you're unsure how to treat a recent purchase or want to make the most of your depreciation deductions, we're here to help.

Let's talk about your asset purchases and ensure you're making the most of what you're entitled to claim.

Work-From-Home Fixed Rate Method Increase For 2024-2025 Year

If you regularly work from home, a small but potentially welcome update from the Australian Taxation Office (ATO) could impact your next tax return.

67 CENTS to 70 CENTS

In a retrospective update to legislation, the fixed rate for claiming work-from-home expenses has been proposed to increase from 67 cents to 70 cents per hour for the 2024–25 income year (with the change to be in effect from 1 July 2024).

What's Covered By The 70c Rate?

The updated fixed rate includes:

- Electricity and gas for heating, cooling and lighting
- Internet and mobile/home phone usage
- Stationery and computer consumables

One important thing to note: **if you use this fixed rate, you can't claim these expenses separately** - they're all bundled into the 70c per hour rate. However, you can still claim:

- Depreciation on office equipment like laptops, monitors and furniture
- Repairs or maintenance on those items
- Cleaning costs for a dedicated home office space

KEEPING RECORDS IS STILL ESSENTIAL

To be eligible, you'll need to keep a record of the actual hours you worked from home over the income year.

This could be a digital calendar, timesheet, roster, or diary.

You'll also need at least one document (like a bill or invoice) for each type of expense included in the fixed rate to show you incurred it.

WHAT THIS MEANS FOR YOU

This fixed-rate method remains a helpful and streamlined option for those working remotely, but it's not automatic. Accurate record-keeping and knowing which items are included - and excluded - are key to maximising your deduction.

If you're unsure which method is best for your situation or how to prepare your records, we're here to help.

Contact our team, and we can guide you through your options to ensure your tax return reflects your actual working situation.

Plug-In Hybrid Exemptions (The Updated Rules On Electric Cars)

As of 1 April 2025, the Fringe Benefits Tax (FBT) exemption for plug-in hybrid electric vehicles (PHEVs) has officially ended - unless very specific conditions were met prior to that date.

If your business provides a PHEV to an employee, or if you're salary packaging one, it's essential to review your current arrangements to ensure you're meeting the new FBT obligations.

Under the updated rules, the exemption only continues for PHEVs that:

- Were used or available for private use before 1 April 2025, and
- Had a financially binding commitment in place before that date to continue private use.

If those conditions weren't met, any private use of a PHEV after 1 April 2025 is now subject to FBT. It's also worth noting that optional lease extensions, employer changes, or new novation agreements generally result in the loss of the exemption moving forward.

If you're unsure whether your current vehicle arrangements are still compliant or if FBT now applies, it's a good time to review your position.

We're helping clients adjust to this change, whether it's by updating lease terms, calculating new FBT liabilities, or exploring more tax-effective vehicle options. Please contact us if you're impacted or want to ensure your vehicle benefits are set up correctly.

We're here to help you navigate these updates and ensure your business stays compliant while still making smart, tax-effective choices.

Let's chat if you need a fresh look at your fleet, salary packaging strategy, or FBT reporting.

Small Business CGT Concessions – What You Need To Know (And How We Can Help)

If you're running a small business and planning to sell an asset - such as a part of your business or a property used in it - there's some good news: ***you may be eligible for up to four CGT (capital gains tax) concessions*** *that could significantly reduce, or even eliminate, the tax you need to pay on the gain.*

These concessions are designed to support genuine small business owners, and they can make a real difference when managing your financial outcomes, especially during a sale or restructuring.

The way you report these concessions depends on your business structure.

- If you're a **sole trader or in a partnership**, you'll report them in the supplementary section of your individual tax return.
- If you're operating through a **company or trust**, the details must be included in a CGT schedule attached to your tax return.

The Australian Taxation Office (ATO) is focusing on ensuring that only genuinely eligible businesses claim these concessions. That means it's more important than ever to apply them correctly.

Before claiming any CGT concessions, make sure you:

- Understand the **eligibility rules**, including whether your business qualifies as a *genuine enterprise* (not a hobby)
- Check that your **aggregated turnover is under $2 million** or that your net business assets are **less than $6 million**
- Ensure you meet any **age or retirement conditions**, where applicable
- Accurately calculate and report your **net capital gain or loss**

COMMON PITFALLS TO AVOID

Some frequent mistakes include:

- Misunderstanding eligibility, especially around business turnover or asset thresholds
- Using incorrect dates when calculating ownership periods
- Applying rollover relief or the 50% CGT discount incorrectly
- Failing to use the correct **concession codes** when completing tax returns

These rules can be complex, but you don't need to navigate them alone. If you're considering selling a business asset or even planning ahead, let's sit down and work through your eligibility and options together.

We're here to help you get the best outcome this financial year while staying fully compliant.

> Contact us if you'd like to chat about how the CGT concessions might apply to your business and how we can help you going forward.

Purchasing A Commercial Vehicle In A Company

When purchasing a commercial vehicle through a company, especially if you plan to use it privately, you must consider important tax implications.

This is because, according to Australian tax law, there is a distinction between types of vehicles, which can impact tax deductions, GST claims, and even Fringe Benefits Tax.

How might this impact you? Let's take a look at a commonly purchased vehicle - the Toyota Hiace - and how the variants of the Hiace can alter your tax obligations.

HIACE VAN VS HIACE CREW CAB: UNDERSTANDING THE TAX DIFFERENCES

Toyota offers two main variants of the Hiace: the **Hiace Van**, which has a carrying capacity of one tonne, and the **Hiace Crew Cab**, which has a slightly lower capacity, falling under one tonne.

This difference is more than just practical—it changes how each vehicle is classified under Australian tax law.

- **The Hiace Van** (carrying one tonne or more) is considered a motor vehicle other than a car.
- **The Hiace Crew Cab** (carrying less than one tonne) is classified as a car for tax purposes.

While both are designed for commercial use, the Crew Cab's classification as a "car" has specific consequences.

Under tax law, cars have capped depreciation limits (currently around $67,000), but vehicles not primarily designed to carry passengers, like the Crew Cab, are exempt from this cap. This allows businesses to claim depreciation and the full GST input tax credit, even if the purchase price exceeds the car limit.

FRINGE BENEFITS TAX: A CRUCIAL DISTINCTION

FBT is where the most significant distinction arises.

- **For vehicles classified as "cars"**, the statutory method generally applies. This method calculates the FBT liability as 20% of the car's purchase price, regardless of actual usage.
- **For vehicles that are not "cars"**, a different approach is required. The ATO allows the cents-per-kilometre method, which is more usage-based and can be more favourable if private use is limited.

However, a common misconception is that commercial vehicles are automatically exempt from FBT. This exemption only applies if private use is minor, infrequent, and irregular. The ATO defines this as:

- Total private use of less than 1,000 km per year
- No single private journey exceeding 200 km

This equates to roughly 20 km of private use per week. If private usage exceeds these thresholds, the vehicle becomes subject to FBT, meaning the method of calculation becomes especially important in managing tax obligations.

ELECTRIC VEHICLES (EVS) AND THE FBT EXEMPTION

Electric vehicles attract attention due to government incentives, including potential FBT exemptions.

However, these exemptions apply only to EVs classified as "cars" under the tax law. EVs with a carrying capacity of one tonne or more are not classified as cars and therefore do not qualify for the FBT exemption.

There is ongoing speculation around the longevity of the EV FBT exemption. While current government policy supports the exemption, this could be subject to change at any point. Those considering an EV purchase may want to explore financing options.

Existing examples, such as with Plug-in Hybrid Electric Vehicles (PHEVs), suggest that maintaining a financial commitment (like a lease or loan) may allow continued access to exemptions even if policies change. While no outcome is guaranteed, financing an EV may offer some strategic flexibility.

Choosing the right vehicle for your business isn't just about size, function, or brand—it has material tax and FBT implications, particularly when private use is involved. The classification of the vehicle, how it is used, and even whether it's electric can all influence its tax treatment.

It's advisable to consult a tax professional before purchasing a vehicle through a company, especially where private use is expected. Proper planning and modelling can help to ensure the best outcome based on your specific usage patterns and business needs.

Start a conversation with us and find out how we can assist you.

General Interest Charge and Shortfall Interest Charge To Become Non-refundable

*On 26 March 2025, Parliament passed a significant amendment affecting tax deductibility: from 1 July 2025, **general interest charge (GIC)** and **shortfall interest charge (SIC)** will no longer be tax-deductible for businesses or individuals.*

This change is a significant development for any business that occasionally falls behind on tax payments or enters into ATO payment arrangements.

WHAT'S CHANGING AND WHY IT MATTERS

Currently, GIC (charged at 11.17%) and SIC (7.17%) are deductible, which offsets some of the financial sting when interest accrues on unpaid or underpaid tax.

But from 1 July 2025, that relief disappears. The **after-tax cost of GIC and SIC will increase significantly**. For example, a taxpayer on the top marginal tax rate could face an effective GIC cost of around 21%, compared to just over 11% today. Even for those on lower marginal rates, the cost impact is substantial.

WHAT YOU SHOULD DO NOW

If your business has existing ATO debts or frequently uses payment plans, now is the time to act. Clearing tax liabilities before 1 July 2025 could save you significantly in the long run.

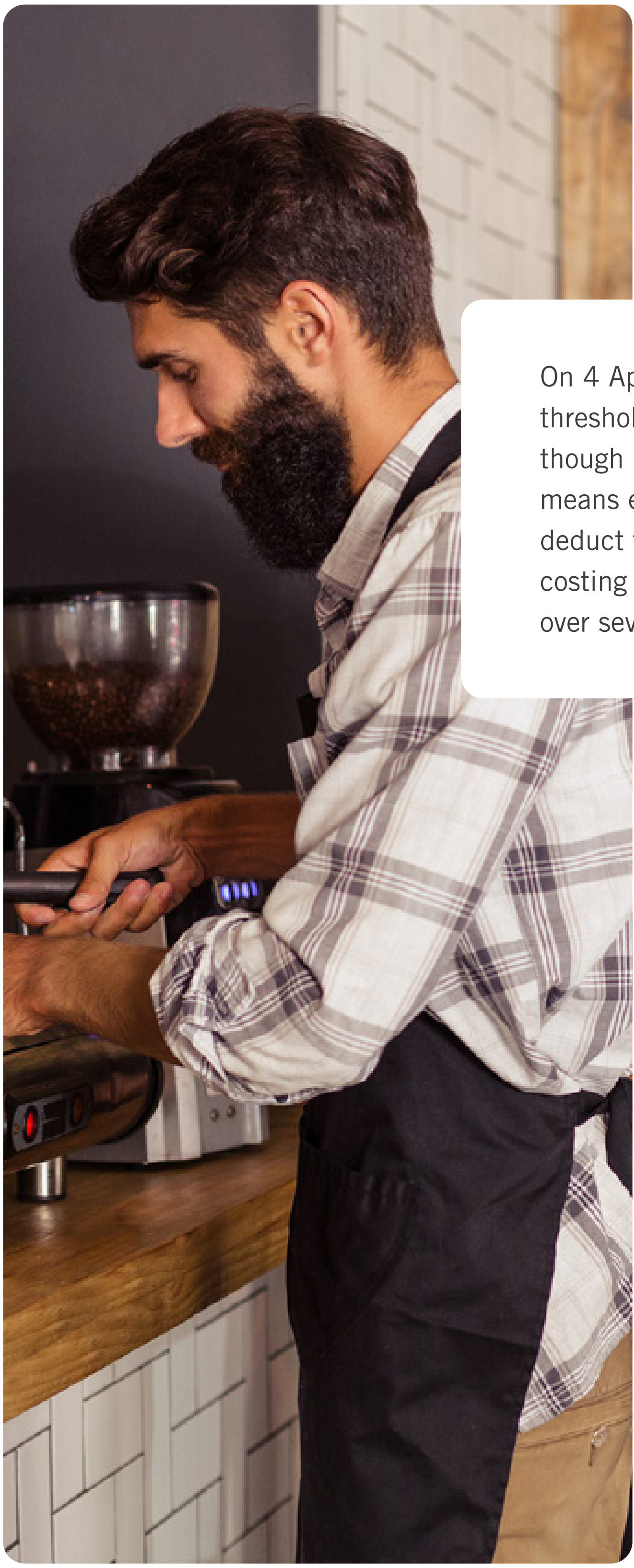
This legislative change highlights the importance of proactive cash flow management and timely tax compliance.

Start A Conversation With Us

We're helping clients assess the impact of this change and develop tax payment strategies to minimise future exposure. If you're concerned about how this could affect your business, reach out today - we're here to help you stay ahead and avoid costly surprises.

The Instant Asset Write-Off Extended Once Again

The Government has extended the $20,000 Instant Asset Write-Off for another 12 months, providing ongoing flexibility and potential tax savings for eligible purchases.



Originally introduced during the Global Financial Crisis, the Instant Asset Write-Off was designed to support businesses by allowing them to claim an immediate deduction for the full cost of certain assets. Over the years, it's become a staple of small business tax planning, with the threshold shifting from $1,000 to $20,000 and even higher during COVID.

On 4 April 2025, the Government announced that the $20,000 threshold will continue for the 2024–25 financial year, even though it wasn't explicitly included in the Federal Budget. This means eligible small businesses can continue to immediately deduct the full cost of eligible new or second-hand assets costing less than $20,000, rather than spreading the deduction over several years through depreciation.

To take advantage of the write-off, assets must first be used or installed and ready for use by 30 June 2025. If you're considering purchasing equipment, vehicles, or other business tools, doing so before the end of the financial year can help you maximise your tax deduction now, rather than waiting to depreciate the cost over time.

We're here to help you make the most of this opportunity. If you're unsure whether an asset qualifies or how this impacts your overall tax planning, our team is ready to provide tailored guidance.