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Progression Group
Accountants & Business Advisors

The Progress Report

September 2025

Economic roundtable wash up

Thanks for all those great ideas – we'll take it from here.

That's pretty much how last month's economics/productivity roundtable wound up, with the government firmly in control of what tax policy measures might or might not be introduced down the track.

Welcome to this month's edition of "The Progress Report".

As usual the report is packed full of articles relating to topical issues that are affecting many of our small business clients. If you would like to seek further clarification regarding any of the issues raised in the report please contact your Progression Group advisor and they will be happy to assist.

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Apart from consulting with the States on a model for imposing road user charges on electric vehicles, which was already in the pipeline, there were no breakthrough tax ideas coming out of the roundtable process that are going to be implemented immediately (other than the two tiny personal tax cuts the government took to the May election and, of course, the 15% slug on large superannuation balances).

So far, at least, successive governments have been reluctant to make wealthier older Australians pay more tax, but could this be about to change?

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Economic roundtable wash up… cont

Both the PM and the Treasurer have been somewhat coy about this.

In spite of the slim policy pickings coming out of the roundtable, Treasurer Chalmers may have planted the seeds for perhaps taking some targeted tax changes to the next election, provided such changes are supported by the broader community. There seemed to be consensus among roundtable participants that the tax system needs to be re-examined through the lens of intergenerational equity. This will mean different things to different people, but without making politically risky changes to the GST or the tax treatment of the family home, younger working Australians can only be helped through the tax system by cutting back some of the concessions enjoyed by wealthier mainly older Australians or plunging the country even further into debt.

We would expect that between now and the next Federal election there will be continuous advocacy by civil society groups to cut back or eliminate certain tax benefits that are enjoyed disproportionately by higher income earners. This group would be the same people who already pay a disproportionate share of income taxes under our highly progressive personal income tax scales.

The wish list of changes you are likely to hear about include:

» negative gearing on rental properties;

» the CGT discount;

» the taxation of trusts;

» superannuation.

There could also be changes aimed at older Australians by way of the social security system, for example the deeming rate applied to financial assets for pension eligibility and the pension treatment of the family home.

This is a very cautious government (particularly the PM), in spite of the very substantial majority it enjoys in the Parliament. But who knows? With Millennials now slightly exceeding Boomers as a demographic, community sentiment could shift and the government might consider making some cautious moves in some of these contentious policy areas.

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There is also a proposal to implement responsible measures (probably meaning tax neutral) to help boost business investment. The two main policy levers in that area are some form of investment allowance or juicing up the Instant Asset Write Off (IAWO) rules. Investment allowances are very expensive in revenue terms as they are available in relation to capital investments businesses would have made anyway. They may act as an incentive at the margin and most businesses wouldn't knock one back, but they should probably only be resorted to in a recession. A substantial increase in the IAWO turnover and asset cost thresholds would be welcome and, unlike an investment allowance, only creates timing differences.

In the meantime, the Productivity Commission's (PC) controversial proposal to drop the corporate rate to 20% for entities with a turnover of less than $1 billion might have trouble getting off the ground. It is coupled with a 5% cashflow tax, which means you can only avoid it if you keep investing in capital equipment, and there are only so many utes a business will want to buy.

And the small print shows the PC is proposing to achieve neutrality as between debt and equity financing by not taxing interest income nor allowing interest deductions at the corporate level. This will have huge implications for financing, as most incorporated businesses are net borrowers.

Finally, the PC report fails to consider the flow-on effects on distributions. Under the dividend imputation system most resident shareholders receiving distributions from a 20% company will just pay more top-up tax, with the net result of collecting slightly less company tax but more personal tax.

So, no major surprises, but keep an eye on what happens in the lead up to the next election.

What to do if you exceed your super contribution caps

Superannuation is a great way to save for retirement, but the government sets strict limits on how much you can contribute each year. These limits are called contribution caps. If you go over them, you could face extra tax. But don't panic – here's what you need to know and the steps to take if this happens.

Understanding the caps

There are two main caps you need to keep in mind:

1. **Concessional contributions cap**
   - These are contributions made before tax, such as employer super guarantee (SG) payments, salary sacrifice, and personal contributions you claim a tax deduction for.
   - For the 2025/26 financial year, the cap is $30,000 per year.
2. **Non-concessional contributions cap**
   - These are contributions made from your after-tax income, like personal contributions where you don't claim a tax deduction.
   - The cap is $120,000 per year, or up to $360,000 if you use the "bring-forward" rule (this allows you to contribute three years' worth at once if you're under 75).

What happens if you go over?

If you exceed either cap, the ATO will issue an excess contribution determination notice outlining your options for resolving the excess. This letter will explain what happened and tell you how much tax you'll need to pay on the excess amount.

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What to do if you exceed your super contribution caps... cont

Your options if you exceed the concessional cap

If your concessional contributions go over the $30,000 cap, the excess amount is added to your taxable income. This means you'll pay tax on it at your normal income tax rate, but you'll get a 15% tax offset because your super fund has already paid tax on that money.

You have two choices:

- Withdraw up to 85% of the extra amount from your super to help cover the extra tax, or
- Leave the money in your super and pay the extra tax from your own pocket. Keep in mind, if you leave it in, the extra amount will also count towards your after-tax (non-concessional) contribution limit.

Either way, the ATO will calculate how much tax you owe, so there's no guesswork on your part.

Your options if you exceed the non-concessional cap

If you exceed the non-concessional cap, the ATO will give you two choices:

1. Withdraw the extra contributions out
   - You can withdraw the excess contributions plus any earnings they made.
   - The earnings are taxed at your usual income tax rate, but you'll get a 15% tax offset to reduce the bill.
   - No extra penalty tax applies if you take the money out.
2. Leave the excess contributions in your super fund:
   - You'll pay a 47% tax on the excess amount.
   - This option is rarely beneficial which is why most people choose to withdraw the extra amount to avoid the big tax hit.

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Tips to avoid going over the caps

- **Track your contributions**: Check with your employer and super fund to see how much has been paid in each financial year.
- **Consider timing**: Contributions count in the year your super fund receives them, not when you make them.
- **Watch the bring-forward rule**: If you use it, you can't make more non-concessional contributions for the next two years.
- **Use ATO online services**: You can link your myGov account to the ATO to see real-time contribution information.

The bottom line

Exceeding your super caps can be stressful, but the ATO has a process to help you manage it. Understanding your options and acting quickly when you receive a letter will help you reduce extra tax and keep your retirement savings on track. Remember, if you're unsure what to do, come and talk to us – we're here to guide you through it.

CGT and off-the-plan purchases

If you buy a property in an off-the-plan purchase, there are some important CGT issues to be aware of – especially in the context that an off-the-plan purchase may not actually settle until many months or even years after the initial contract is signed.

The first thing to note is that assuming the off-the-plan purchase does proceed to settlement, then the completed property is considered to have been acquired for CGT purposes at the time (and in the income year) in which the original contract was signed – and not in the year of settlement.

And this has some important practical consequences.

The first is that for the purposes of accessing the 50% CGT discount (in the case where the property does not become your CGT-exempt home), you are taken to have acquired the property when the off-the-plan contract was signed.

And this gives you ample time to satisfy the 12-month holding rule – including where you may even sell the property within 12 months after settlement of the contract.

Secondly, and importantly, any capital gain or loss will arise in the income year in which you enter the sale contract (eg, the 2023 income year) and not in the income year that you settle that contract (eg, the 2025 income year). And this is the case even if, as is not uncommon, this contract of sale is entered into before the original off-the-plan purchase is even settled.

In short, as long as the contract is settled, the key date for determining when property is acquired (or disposed of) is the date (ie, the income year) the contract is entered into – regardless of whether settlement takes place in the next income year or in a later income year.

This means that the income year in which any capital gain or loss is returned on the sale of the property is the income year in which you enter the off-the-plan contract – even though the settlement does not take place until another income year.

However, in this case the Commissioner has a generous policy so that the taxpayer does not have to immediately return any gain in that income year – but only once the proceeds on settlement are received. And then they can go make and amend that prior year return accordingly.

Also, in the case where the off-plan purchase is to become your home, the requirement of the "building concession" must be met in order for the property to eventually be considered your CGT-exempt home.

Finally, it is important to understand that the CGT rules that apply in off-the-plan purchases are different from those that apply to an option agreement – which instead is treated a separate legal transaction with separate CGT consequences. It is only if the option is exercised that the transaction is merged into one transaction and the CGT rules then apply in a different way.

What happens if you don't have a valid will?

When someone passes away without a valid will, this is known as intestacy. In this situation, the law in each state and territory sets out a formula for how your estate is divided. These rules often follow a standard order – spouse first, then children, then other relatives, but they may not align with what you would have wanted.

Who usually inherits the intestate estate?

If you have a spouse and no children, your spouse will ordinarily receive the whole estate. If you have a spouse and children, whether the children receive anything depends on whether they are also the children of your spouse, as well as the laws of your state.

If you do not have a spouse or children, your estate may pass to your parents, then to siblings, and then to the next of kin, but this can vary between states. If there are no surviving and eligible relatives, the state you live in will typically receive the estate.

Family provision

Note that even when an estate is distributed under intestacy laws, certain family members or dependants may still be able to apply to the court if they feel they have been left without proper provision. These are called family provision claims. Eligible people – typically a spouse, partner, child, or someone dependent on the deceased, can ask the court to adjust the distribution. This process is separate from intestacy and can apply whether or not there is a will.

Exceptions to intestacy laws

Your super fund may decide which of your eligible beneficiaries receives your super, or it may pay the benefit to your estate. If your super fund allows for binding death benefit nominations, you can direct payment to an eligible beneficiary. Life insurance payouts on policies you personally own can also be directed in accordance with your wishes and may not necessarily form part of your estate. Remember jointly-owned property typically passes to the surviving joint owner.

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Deductibility of self-education expenses

Many people spend their own money on attending courses that will hopefully make them more employable and maybe earn a higher income. That's a good thing – a workforce that is more highly skilled can lead to higher productivity, which is something that's been in the spotlight of late.

It's not always clear when self-education expenses are tax-deductible, and there can sometimes be a fine line between what is and isn't deductible.

Self-education has to have a sufficient connection to earning your employment income. This will be the case if it either:

- maintains or improves the specific skills or knowledge you require for your current employment activities; or
- results in, or is likely to result in, an increase in your income from your current employment activities.

Self-education expenses incurred when a person is not employed (or self-employed) isn't deductible.

What courses of study are eligible?

- An apprentice hairdresser working at a hair salon four days a week attending TAFE for one day is learning things at TAFE which will improve their hairdressing knowledge and skills.
- A person with a Diploma in Nursing and working as an enrolled nurse under the supervision of Registered Nurses is undertaking a Bachelor of Nursing which, on completion, is likely to increase their income as a nurse.
- A system administrator enrols in and pays for a course on how to use a particular programming language. On completion, their employer gives them a pay rise. The cost of the course is deductible since it resulted in an increase in income from the person's current employment activities.
- A pilot working for a domestic carrier takes an aircraft conversion course to upgrade his certification to fly his employer's international aircraft so that he will be paid more. The course qualifies as self-education since it will upgrade his qualifications and is likely to increase in his income.

What courses of study are ineligible?

- If the person studying for a Bachelor of Nursing (above example) had been working as a personal care worker instead of enrolled nurse, the necessary nexus between the course of study and their current employment activities would not be present. Personal care workers assist patients with everyday tasks such as showering, dressing and

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Deductibility of self-education expenses... cont

eating. The skills and knowledge required to carry out those duties are not the same as those required to carry out a nurse's duties.

» There was a case recently where a person who was qualified as a dentist in Romania but was working as a dental technician and studying to qualify for registration as a dentist in Australia. Despite positive comments from her employer, the Administrative Appeals Tribunal held that the two jobs were very different and the dentistry course of study was not linked closely enough to her current role as a dental technician. This would not be an uncommon situation, with many new arrivals working in roles that are well below their foreign qualifications.

» Courses designed to gain new employment are not eligible. A teacher's aide undertaking a Bachelor of Education working with a primary school teacher and performing non-teaching duties would not qualify for a deduction since teaching students is very different from working as a teacher's aide.

» Personal development and self-improvement courses are not generally closely enough related to a person's current income earning activities to qualify for a tax deduction.

What deductions are allowable?

It is important that any reimbursements received from your employer are offset against any claims, and you will also need to maintain documentary evidence to substantiate your claims. And it wouldn't hurt to have a positive statement from your employer about how participating in the course will affect the performance of your current employment duties.

Subject to the necessary connection to your existing income earning activities being established, the following deductions may be allowable:

» Tuition, course, conference or seminar fees.

» General course expenses, including text books, journals.

» The decline in value of depreciating assets – apportionment may be needed in some cases.

» Car and other transport expenses – this can range from an Uber to a nearby university to a return airfare to Paris to complete that MBA.

» Accommodation and meal expenses for when you have to be away from home overnight.

» Interest on borrowings to fund any of these outlays.

Self-education can be a tricky area, but that shouldn't stop you from making legitimate claims. We can help you with that.

What happens if you don't have a valid will?... cont

Estate administrator

Who handles the paperwork if there's no will? Instead of an executor named by you, the court appoints an administrator. This is often your partner or next of kin, who will collect assets, pay the estate's debts and expenses, and then distribute the balance under the local intestacy law. Administrators step into a formal legal role and their authority begins once the court makes the grant.

Funeral and burial arrangements

One of the most pressing questions after a death is who decides on funeral arrangements. If there is no will appointing an executor, the right to organise the funeral and burial usually follows the same order as for administering the estate. It lies with the person who has the highest claim to be the administrator, typically the surviving spouse or de facto partner, or if none, the next of kin.

KEY POINT

Dying without a will means giving up control over who manages your estate, who inherits from it, and even who decides on your funeral arrangements. While intestacy laws provide a safety net, they may not reflect your personal wishes or the needs of your loved ones. Making a valid will ensures your estate is handled the way you want and spares your family unnecessary uncertainty and stress.