

Practice Update

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DECEMBER 2025

Alternative providers to the SBSCH

Employers should start preparing for the permanent closure of the Small Business Superannuation Clearing House ('SBSCH') on 1 July 2026.

By acting now to find an alternative service, employers will:

- have an established process in place to pay super guarantee ('SG') for the March and June quarters (if they currently pay quarterly);
- reduce the risk of late payment of SG for the June 2026 quarter due date (28 July), as the SBSCH will be already closed;
- have more time to set up their business cash flow to enable frequent payments of SG; and
- have finalised payments and downloaded any reports from the SBSCH before it closes permanently.

Employers that are still using the SBSCH should be aware of the following key dates.

- ◆ **10 December 2025** — Super payments, along with instructions, must be received by 5.30 pm AEDT on this date. The ATO says payments received after this time will be processed from 2 January 2026.
- ◆ **28 January 2026** — December 2025 SG quarterly payments due date.
- ◆ **February to March 2026** — Employers should move to an alternative option to the SBSCH.

- ◆ **28 April 2026** — March 2026 SG quarterly payments due date.
- ◆ **30 June 2026** — Final day for employers to use the service, make any final payments and download reports.
- ◆ **1 July 2026** — SBSCH is no longer available.

Employers may already have other options readily available so they can exit from using the SBSCH ahead of time.

They should check their existing software and payroll packages, as they may already include super functions they can use to pay SG.

Otherwise, employers can look for options from super funds or digital service providers offering payroll services, software or commercial clearing houses.

Reminder of December 2025 Quarter Superannuation Guarantee ('SG')

As noted in the above article, employee super contributions for the quarter ending 31 December 2025 must be received by the relevant super funds by 28 January 2026.

If the correct amount of SG is not paid by an employer on time, they will be liable to pay the SG charge, which includes a penalty and interest component.

The SG rate is 12% for the 2026 income year (increased from 11.5% for the 2025 income year).

Dental expenses are private expenses

The ATO has been seeing a number of deduction claims for dental expenses this tax time. Dental expenses, including preventative and necessary dental treatment, medical expenses and other costs relating to client's personal appearance (such as teeth whitening, makeup, skin care, shaving products and haircuts) are not deductible.

These expenses are generally private expenses, even if an employer expects an employee to maintain a certain appearance, or pays them an allowance to cover grooming expenses.

Taxpayers should remember that they can only claim an expense that **directly** relates to earning their income. Private expenses cannot be claimed as a deduction.

Taxpayers should have written evidence of all their expenses, and be able to show a direct connection with those expenses to their employment income.

Australians call out tax dodgers in record numbers

The ATO has hit a major milestone of over 300,000 tip-offs from the community about tax avoidance and other dishonest behaviours since 1 July 2019. In the 2024/25 financial year alone, almost 50,000 red flags were raised by members of the community who spotted something suspicious.

Most of the tip-offs received related to shadow economy activity, coming from customers, employees, other businesses, and even family and friends.

This year, Australians reported businesses and individuals who:

- ☐ did not declare their income;
- ☐ demanded or paid for work in cash to avoid tax;
- ☐ lived lifestyles that did not match their known income; and
- ☐ failed to report all sales.

The top three industries seeing a surge in 'red flags' this financial year are:

- building and construction;
- cafes and restaurants; and
- hairdressing and beauty services.

ATO's new approach to holiday home expenses

The ATO has announced that it will take a somewhat different approach in relation to expenses that are claimed in relation to holiday homes.

Broadly, the ATO now takes the view that, if a taxpayer's rental property is also their holiday home, certain deductions relating to holding it will be completely denied (rather than being apportioned).

Expenses relating to ownership and use of the holiday home (e.g., interest, rates and maintenance) will not be deductible, unless the holiday home is 'mainly' used to produce assessable income.

Whether a holiday home is used 'mainly' to produce assessable income will be determined based on a consideration of a number of factors.

However, this will generally not apply to expenses incurred in relation to holiday homes that are rental properties **before** 1 July 2026, if those expenses are incurred under an arrangement entered into prior to 12 November 2025.

Editor: Please contact our office if you want more information regarding this new development.

ATO warns about barter credit tax scheme

The ATO is warning the community to steer clear of an emerging tax scheme involving barter credits — a type of alternative currency used in some business networks.

A tax scheme that involves artificially inflating deductions for donations of barter credits to deductible gift recipients ('DGRs') is on the rise. While it may seem enticing, promoters and taxpayers could face potentially significant consequences if they are involved.

The ATO is concerned that such schemes are being enabled by several barter exchanges that are allowing participants to access barter credits with a nominal face value that is much more than any payments actually made to the exchange. Participants then donate these barter credits to a DGR and claim a larger tax deduction than they are entitled to.

Those involved may have to repay the tax, plus face heavy penalties, interest and legal action.

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.

Christmas Parties & Gifts 2025

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Year-end (and other) staff parties

Editor: With the well earned December/January holiday season on the way, many employers will be planning to reward staff with a celebratory party or event. However, there are important issues to consider, including the possible FBT and income tax implications of providing 'entertainment' (including Christmas parties) to staff and clients.

FBT and 'entertainment'

Under the FBT Act, employers must choose how they calculate their FBT meal entertainment liability, and most use either the 'actual method' or the '50/50 method', rather than the '12-week method'.

Using the actual method

Under the **actual method**, entertainment costs are normally split up between employees (and their family) and non-employees (e.g., clients).

Such expenditure on employees is deductible and liable to FBT. Such expenditure on non-employees is **not** liable to FBT and **not** tax deductible.

Using the 50/50 method

Rather than apportioning meal entertainment expenditure on the basis of actual attendance by employees, etc., many employers choose to use the more simple **50/50 method**.

Under this method (irrespective of where the party is held or who attends) 50% of the total expenditure is subject to FBT and 50% is tax deductible.

However, the following traps must be considered:

- ◆ even if the function is held on the employer's premises – food and drink provided to employees is not exempt from FBT;

- ◆ the minor benefit exemption* cannot apply; and
- ◆ the general tax travel exemption (for travel to or from the employer's premises) also cannot apply.

(* Minor benefit exemption)

The minor benefit exemption provides an exemption from FBT for most benefits of 'less than \$300' that are provided to employees and their associates (e.g., family) on an infrequent and irregular basis.

The ATO accepts that different benefits provided at, or about, the same time (such as a Christmas party and a gift) are **not** added together when applying this \$300 threshold.

However, entertainment expenditure that is FBT-exempt is also not deductible.

*Editor: 'Less than' \$300 means **no more than** \$299.99! A \$300 gift to an employee will be caught for FBT, whereas a \$299 gift may be exempt.*

Example: Christmas party

An employer holds a Christmas party for its employees and their spouses – 40 attendees in all.

The cost of food and drink per person is \$250 and no other benefits are provided.

If the actual method is used:

- ◆ For all 40 employees and their spouses – **no FBT** is payable (i.e., if the minor benefit exemption is available), however, the party expenditure is **not tax deductible**.

If the 50/50 method is used:

- ◆ The total expenditure is \$10,000, so \$5,000 (i.e., 50%) is **liable to FBT and tax deductible**.

Christmas gifts

Editor: With the holiday season approaching, many employers and businesses want to reward their staff and loyal clients/customers/suppliers.

Again, it is important to understand how gifts to staff and clients, etc., are handled 'tax-wise'.

Gifts that are **not** considered to be entertainment

These generally include a Christmas hamper, a bottle of whisky or wine, gift vouchers, a bottle of perfume, flowers or a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- ☐ gifts to employees and their family members – **are liable to FBT** (except where the 'less than \$300' minor benefit exemption applies) and **tax deductible**; and
- ☐ gifts to clients, suppliers, etc. – **no FBT**, and **tax deductible**.

Gifts that **are** considered to be entertainment

These generally include, for example, tickets to attend the theatre, a live play, sporting event, movie, etc, a holiday airline ticket, or an admission ticket to an amusement centre.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- ☐ gifts to employees and their family members – **are liable to FBT** (except where the 'less than \$300' minor benefit exemption applies) and **tax deductible** (unless they are exempt from FBT); and

- ☐ gifts to clients, suppliers, etc. – **no FBT** and **not tax deductible**.

Non-entertainment gifts at functions

*Editor: What if a Christmas party is held at a restaurant at a cost of less than \$300 for each person attending, **and** employees are given a gift or a gift voucher (for their spouse) to the value of \$150?*

Actual method used for meal entertainment

Under the actual method **no FBT** is payable, because the cost of each separate benefit (being the expenditure on the Christmas party and the gift respectively) is less than \$300 (i.e., the benefits are not aggregated).

No deduction is allowed for the food and drink expenditure, but the cost of each gift is **tax deductible**.

50/50 method used for meal entertainment

Where the 50/50 method is adopted:

- ☐ 50% of the total cost of food and drink is **liable to FBT** and **tax deductible**; and
- ☐ in relation to the gifts:
 - the total cost of all gifts is **not liable to FBT** because the individual cost of each gift is less than \$300; and
 - as the gifts are not entertainment, the cost is **tax deductible**.

Editor: We understand that this can all be somewhat bewildering, so if you would like a little help, just contact our office.