HARVARD

ASSOCIATES

Practice Update

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

AUGUST 2026

Government to permanently extend $20,000 instant asset write-off

The Government has recently introduced legislation that would make the $20,000 instant asset write-off **permanent** for small businesses (as announced in the 2026 Federal Budget).

If enacted, the changes would:

- permanently set the instant asset write-off threshold at $20,000 (instead of $1,000) for eligible depreciating assets first used, or installed ready for use, for a taxable purpose from 1 July 2026; and
- permanently set the general small business pool threshold at $20,000 from 1 July 2026.

The changes would also further suspend the 'lock-out rule' until 30 June 2027.

Editor: This rule otherwise prevents a business that has chosen not to use the simplified depreciation rules from re-entering the regime for five years.

Government to re-introduce loss carry back for companies

The Government has also recently introduced legislation to re-introduce the 'loss carry back' measure for companies from 1 July 2026.

If enacted, this will allow most companies to carry back a tax loss and apply it against tax paid in either, or both, of the previous two income years, basically giving rise to a tax refund for the loss year.

ATO warning on home occupancy expense claims

The ATO has identified that some taxpayers are incorrectly claiming rent, mortgage interest and other occupancy expenses as part of their work-from-home expenses.

To claim occupancy expenses, a taxpayer must be able to demonstrate that:

- the area of their home they used for work purposes is a 'place of business';
- if they are an employee, it was necessary for them to work from home because their employer did not provide an alternative 'place of business' to work from; and
- the nature of their income-earning activities requires them to have a 'place of business'.

Factors that may indicate whether an area has the character of a 'place of business' include whether the area is:

- clearly identifiable as a 'place of business';
- not readily capable of private or domestic use;
- exclusively or almost exclusively used for carrying on a business; and
- used regularly for client or customer visits.

Taxpayers who are eligible to claim occupancy expenses can claim a portion of those expenses based on floor area, the period they worked from home, and their ownership of the property.

New restrictions on LRBAs

Recently enacted legislation imposes new restrictions on the use of limited recourse borrowing arrangements ('LRBAs') by SMSFs.

LRBAs entered into on or after 10 August 2026 to purchase real property can now only be used to acquire **business real property**.

These changes do not apply if an SMSF:

- has already entered into an LRBA to finance a real property acquisition before 10 August 2026; or
- maintains or refinances that LRBA on or after 10 August 2026.

'Business real property' generally means land and buildings used wholly and exclusively in one or more businesses.

ATO warning on property manager reports

The ATO is warning rental property owners that expenses shown in property manager reports may not always be classified correctly for income tax purposes.

Common issues identified by the ATO include:

- capital expenses, including initial repairs, being claimed as current-year deductions;
- expenses being grouped together without sufficient detail to determine how they should be treated;
- discrepancies in accounting methods used when expenses are actually incurred versus when they are paid; and
- private expenses incorrectly included, such as costs relating to the owners' personal use of the property.

Division 7A benchmark interest rate

The ATO has published a Division 7A benchmark interest rate of **8.77%** for the income year ending 30 June 2027, up from 8.37% for the previous income year.

Editor: The benchmark interest rate is applied when calculating minimum yearly repayments ('MYRs') for complying Division 7A loans.

ATO electoral roll data-matching program

The ATO is obtaining Australian electoral roll information from the Australian Electoral Commission as part of its ongoing data-matching program.

The information will be compared with the ATO's existing records to identify non-compliance with tax and superannuation obligations.

The data collected may include registered voters' names, residential addresses, sex, dates of birth and occupations.

The ATO estimates it will receive records relating to approximately **18 million individuals** each quarter.

ATO scam warning

The ATO has received concerning reports of a new email impersonation scam claiming to be from the ATO.

The email states that a phone appointment with the ATO has been scheduled and includes appointment details such as the date and time.

The email claims that recipients must open an attachment included in the email to securely access relevant services or reschedule the appointment.

The attachment contains a link to a legitimate looking myGov sign-in page designed to steal usernames, passwords and other personal information.

The ATO has confirmed that it will never:

- email an attachment containing a link to a myGov sign-in page;
- ask recipients to access ATO services through links in unsolicited emails;
- direct recipients to a login page that is not hosted on an official myGov or ATO website; or
- request a myGov username, password or security code via email.

The ATO has advised recipients **not to respond to the email or interact with it in any way**.

Editor: Please contact our office if you have any queries or concerns about any communication or request purporting to be from the ATO.