TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

SPRING 2025

IN THIS ISSUE:

- Festive Season Overtime and Bonuses: What It Means for Your Tax
- Charitable Giving: What You Need to Know About Tax Rules and Implications
- Can I Claim a Tax Deduction For Buying Christmas Gifts for My Employees?
- If I Claim The ATO Doesn't Exist, Can I Get Out Of Paying My Tax Debt? **And More...**

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Festive Season Overtime and Bonuses: What It Means for Your Tax

The festive season often brings more than just holiday cheer. For many Australians, it's also a time of extra shifts, overtime hours, and sometimes even a Christmas bonus. While that additional income is welcome, it's important to understand how it affects your tax situation.

WHY SEASONAL INCOME MATTERS

Overtime and bonuses are treated as ordinary taxable income. This means they're added to your total earnings for the financial year and taxed at your marginal tax rate. The more you earn, the higher the rate of tax that applies to the top portion of your income.

If you've picked up extra shifts in December or received a lump-sum bonus, it could nudge you into a higher tax bracket. While this doesn't mean all your income is taxed at that higher rate, it does mean a larger slice of your extra income could be.

HOW WITHHOLDING WORKS

Employers are required to withhold tax from overtime and bonuses, but this is based on the ATO's standard

(cont. p2)

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tax tables. Sometimes, the amount withheld is more (or less) than what you'll ultimately owe once your total income is assessed at year-end. This can result in either a refund or a payable balance when you lodge your tax return.

For bonuses, many employers use special withholding rates set by the ATO. If you've noticed that more tax than usual is deducted from your Christmas bonus, that's likely why-it's designed to prevent a tax shortfall later.

TIPS TO AVOID SURPRISES

- **Check Your Year-to-date Income:** Keep an eye on whether extra income could push you into a higher bracket.
- **Review Your Withholding:** If you're worried about underpayment, you can adjust your PAYG withholding with your employer.
- **Plan For Tax Time:** Setting aside a small portion of your extra income now can help smooth things out later.

Seasonal overtime and bonuses are excellent rewards for hard work throughout the year. By understanding how they're taxed, you can enjoy the extra income without any unwelcome surprises when tax time rolls around.

Want to make sure you're avoiding a festive season surprise when it comes to your tax obligations? Why not book a time with one of our trusted team and start a chat with us to find out how we can help?

Charitable Giving: What You Need to Know About Tax Rules and Implications

The spirit of giving can be strong year-round, but it often shines brightest during the festive season. Whether it's a donation to a local charity, a national appeal, or support for a cause close to your heart, charitable giving can make a real difference. It also comes with tax considerations worth noting.

To be tax-deductible, donations must be made to organisations that are registered as Deductible Gift Recipients (DGRs). You can check the Australian Business Register to confirm an organisation's status before donating. Importantly, not all contributions qualify - raffle tickets, fundraising dinners, or gifts in exchange for goods and services generally don't count as deductible gifts.

The donation must also be a gift of money or property (such as shares or other assets). For monetary gifts, the amount must be at least $2. When you make a deductible donation, you can claim it on your tax return, reducing your taxable income.

For employees, workplace giving programs can be a simple way to donate pre-tax dollars directly from your salary. This means you benefit immediately, rather than waiting until tax time to claim a deduction. Employers can facilitate this arrangement without triggering Fringe Benefits Tax, provided the structure is set up correctly.

Generosity is its own reward, but knowing the tax implications ensures your giving is both meaningful and effective. Keeping records of all donations, such as receipts or payroll statements, will make claiming deductions easier at tax time.

Can I Claim a Tax Deduction For Buying Christmas Gifts for My Employees?

The festive season is a great time to show your staff appreciation. Many business owners like to give Christmas gifts, but a common question arises: are these gifts tax-deductible?

The answer depends on the type of gift, its cost, and whether Fringe Benefits Tax (FBT) applies.

NON-CASH GIFTS AND THE MINOR BENEFITS EXEMPTION

If you provide non-cash gifts such as hampers, wine, or vouchers, these may fall under the "minor benefits exemption" for FBT purposes, provided they cost less than $300 (including GST) per employee. Under this exemption, you won't pay FBT, but the downside is that if the gift is classified as entertainment, it is not tax-deductible, and you can't claim GST credits.

The following is a guide to potential gifts you can provide your employees with this festive season. Anything outside this list should be discussed with your accountant before purchase to avoid accidental FBT incursions.

Non-Entertainment Gifts (Exempt From FBT If Under $300 & Tax-deductible)	**Entertainment Gifts** (Exempt From FBT If Under $300 But Not Tax-deductible)
• Hamper • Gift Voucher (for goods) • Perfume • A bottle of wine • Dress/Suit	• Tickets to an event (sporting, theatre, cinema, etc.) • Gym membership • Flights • Gift Vouchers (for recreation) • A game of golf

If you're not 100% sure if a gift would be subject to a tax deduction, if the gift is under $300 (whether it is deemed as entertainment or non-entertainment), a conversation with a tax adviser could be in your best interest.

GIFTS OVER $300

Once the value of a gift exceeds $300, it no longer qualifies for the minor benefits exemption. This means the gift could attract FBT, but it can also be tax-deductible, and you can claim GST credits. While this may sound like a reasonable trade-off, the FBT liability often outweighs the benefit of the deduction.

CASH BONUSES VS GIFTS

Cash or gift cards that operate like cash are treated differently. They are always considered taxable income for the employee, reported through payroll, and subject to PAYG withholding and superannuation. For the employer, these are deductible expenses and GST is not relevant.

WHAT'S THE BEST APPROACH?

Keeping employee gifts under the $300 threshold is usually the simplest way to show appreciation without creating additional tax obligations. For larger gestures, it's often worth considering whether paying a cash bonus through payroll might be more efficient and transparent.

Christmas gifts are a thoughtful way to recognise your team's contribution, but it pays to understand the tax rules before you start wrapping. The key is balancing generosity with compliance, ensuring your gifts leave employees smiling without leaving your business with an unexpected tax bill.

Need clarity on Christmas gifts and tax? Every business is different, and the right approach depends on your circumstances. Before you finalise gifts or bonuses, let's review your options together so you can reward your team without triggering unwanted tax surprises.

Get in touch today to discuss the best strategy for your business before the year wraps up.

Incurred a Tax Debt? Here's What You Need to Know

Finding out you owe tax can be stressful, but it's important to remember that having a tax debt is not uncommon, and there are clear steps you can take to manage it responsibly.

UNDERSTAND YOUR DEBT

First, confirm the amount and the basis for the debt. Review your assessment notice carefully and make sure all figures are accurate. Mistakes do happen, and sometimes deductions or credits may have been missed. If you think there's an error, you have the right to lodge an objection or request a review through the ATO's formal dispute processes.

SEEK PROFESSIONAL ADVICE

A registered tax agent or accountant can help you navigate your obligations, calculate what you actually owe, and explore strategies for repayment. Professional guidance can also ensure you're compliant with record-keeping and reporting requirements, and help you understand your rights when disputing assessments.

DON'T IGNORE IT

Ignoring a tax debt will not make it go away. In fact, the ATO can apply penalties and interest that increase the total amount owing over time. Continued non-payment can also trigger collection actions, including garnishment of bank accounts or other enforcement measures.

KEEP COMMUNICATION OPEN

Finally, keep clear records of all correspondence with the ATO. If you enter a payment plan or lodge an objection, maintain documentation of deadlines, approvals, and payments. Clear communication reduces misunderstandings and ensures that you remain in control of resolving the debt.

EXPLORE PAYMENT OPTIONS

If you are unable to pay the debt in full immediately, the ATO offers payment arrangements. These can be structured to suit your cash flow and allow you to gradually settle your debt without triggering additional enforcement action. Acting early is key; reaching out proactively demonstrates good faith and can prevent further complications.

A tax debt can feel overwhelming, but by taking prompt action, understanding your obligations, and seeking professional guidance, you can manage it effectively. The sooner you address the issue, the easier it is to resolve and move forward with confidence.

If I Claim The ATO Doesn't Exist, Can I Get Out Of Paying My Tax Debt?

The short answer is no, and trying this will almost always make your situation worse.

Several online groups and "sovereign citizen"-style sources promote the idea that the Australian Taxation Office (ATO) has no legal existence and therefore can't lawfully collect tax.

Courts and independent fact-checkers have repeatedly rejected these arguments as baseless pseudo-legal theories. Judges have consistently held that the statutory powers in taxation laws (and the Commissioner's functions) provide the ATO with lawful authority.

A recent example involved an Uber driver who lodged multiple Business Activity Statements (BAS) claiming GST liabilities and input tax credits (ITCs). When the ATO denied the ITCs due to late BAS lodgement, the driver appealed, citing three grounds—one of which was that the ATO did not legally exist.

WHY THIS RISKY APPROACH FAILS

- **Courts don't accept the claim.** Cases that rely on the "ATO doesn't exist" line are routinely dismissed. Relying on fringe theories won't overturn a tax assessment or stop collection action - it simply wastes time and can escalate the matter.
- **Penalties and interest keep growing.** If you ignore assessed tax debts rather than engaging properly, the ATO can add interest and administrative penalties. Those amounts can quickly exceed the original debt. The ATO also has formal collection powers.
- **Possible criminal exposure.** Making false statements, lodging false documents, or deliberately attempting to evade tax can carry criminal penalties in serious cases. Courts have treated deliberate pseudo-legal avoidance attempts unfavourably.

PRACTICAL STEPS YOU CAN TAKE INSTEAD

1. **Don't rely on internet myths.** If you've seen conspiracy claims online, check reputable sources or get professional advice - they're not a lawful defence.
2. **Engage early with the ATO.** If you disagree with an assessment, use the ATO's dispute and objection processes (and keep records). Formal dispute routes are the proper avenue and can often resolve matters without litigation.
3. **Seek qualified help.** Talk to a registered tax agent or tax lawyer who understands ATO procedures and case law. They'll help you assess whether there are legitimate grounds to object or appeal.
4. **Consider practical options.** If you can't pay immediately, the ATO offers payment arrangements and other assistance programs - engaging proactively can reduce stress and limit penalties.

Trying to "beat" a tax debt by claiming the ATO doesn't exist is not a strategy—it's a trap. The evidence from courts, government guidance and independent fact-checks is clear: these arguments do not work and can make your position materially worse.

If you're facing an assessment or debt, get professional advice, use the ATO's formal dispute channels, and, where necessary, negotiate a realistic payment plan. That's the responsible, effective way to protect your finances and reputation.

End-Of-Year Business Tax Checklist

As the year winds down and many offices prepare for a holiday shutdown, it's important for small business owners to make sure tax obligations are in order.

Tidying up before the break not only avoids compliance headaches but also gives you a clean slate to start 2026 with confidence.

FINALISE BAS AND PAYG INSTALMENTS

Check that all lodgements are up to date, including your Business Activity Statement and any PAYG instalments due before year-end.

REVIEW OUTSTANDING INVOICES AND DEBTS

Collect overdue payments where possible, and write off bad debts if recovery is unlikely. Proper documentation is essential if you're claiming a tax deduction.

RECONCILE ACCOUNTS

Ensure your bank accounts, payroll, and superannuation contributions are reconciled. Employee super must be paid on time to remain compliant and claim the deduction.

CHECK DEDUCTIONS AND EXPENSES

Make sure business-related expenses are recorded accurately, and avoid blurring personal and business costs - an area the ATO pays close attention to.

UPDATE RECORDS AND DOCUMENTATION

Keep receipts, invoices, and records organised. Good record-keeping now will make next year's reporting far easier.

PLAN FOR JANUARY

Remember that early in the new year, obligations such as activity statements and employee superannuation continue. Preparing now avoids cash flow stress after the holiday break.

You´re all set!

By ticking off these tasks before shutting down, you'll head into 2026 with peace of mind, knowing your business is compliant and ready for a fresh start.

Need assistance with wrapping up for the end of the calendar year? Why not check in with your trusted tax professionals to find out how we can help?

Holiday Homes: What You Need to Know About Tax

Investing in a holiday home can be exciting, offering both lifestyle benefits and the potential for tax advantages. But whether you're looking at a standalone house or a unit, it's important to understand how the Australian Taxation Office (ATO) treats holiday properties so you can stay compliant and avoid surprises.

KEY TAX CONSIDERATIONS FOR HOLIDAY HOMES

Generally, only costs directly related to generating rental income are deductible. For example, you can usually claim expenses like:

- Repairs and maintenance (fixing leaks, painting, servicing appliances)
- Loan interest, council rates, insurance, and utilities
- Property management fees
- Depreciation on fixtures and fittings (e.g. ovens, carpets, air conditioners)

However, you cannot claim expenses from personal use. Cleaning after your own stay or fixing damage from family holidays won't qualify. Large improvements that add value, such as a new deck or roof, are capital works and must be depreciated over time rather than deducted immediately.

HOLIDAY APARTMENTS IN COMMERCIAL COMPLEXES

If you own an apartment in a commercial holiday complex, it is still classed as a residential rental property for tax purposes. This means:

- Rental income must be declared in your tax return.
- Deductions may apply, provided the property is genuinely available for rent.
- GST does not apply to rental income, and GST credits cannot be claimed.

Even though these apartments sit within a commercial setting, the ATO treats each one as a residential property.

APPORTIONING EXPENSES

If you use the property personally as well as renting it out, expenses must be split. For instance, if the property is rented for six months and used by you for the other six, only half of the expenses can be claimed. The ATO's examples and guidelines are helpful in working out the right balance.

RECORD-KEEPING MATTERS

Accurate records are key. Keep track of rental income, expenses, and the dates the property is rented versus used privately. Retain all receipts and invoices-these will help substantiate any claims you make.

HOW YOUR ACCOUNTANT CAN HELP

Your accountant can:

- Identify legitimate deductions
- Guide you on apportioning expenses correctly
- Advise on depreciation claims
- Ensure your reporting is accurate and compliant

Thinking of claiming deductions on your holiday home? Speak with your accountant today to make sure you're maximising the benefits while staying on the right side of the rules.

Working Pensioners: How Extra Income Can Impact Your Age Pension and Tax Bill

For many retirees, giving up work entirely isn't always the plan. Whether it's for the social connection, sense of purpose, or simply a bit of extra income, plenty of Age Pension recipients continue to work part-time or casually.

But here's the catch: even a small amount of extra income can affect your **Age Pension payments** - and potentially your **tax position** - in ways that aren't always obvious. Understanding how these rules interact can help you make more informed choices about how much to work.

THE INCOME-FREE AREA AND THE WORK BONUS

Every pensioner can earn a certain amount before their Age Pension starts to reduce. This is known as the **income-free area**.

- For singles, the cost is approximately **$212 per fortnight**, and for couples, it is around **$372 combined per fortnight** (as of 2025).
- Once you earn above this amount, your pension payment reduces by **50 cents for every dollar** over the threshold.

If you're still working, the **Work Bonus** provides a little extra breathing room. It lets you earn up to **$300 per fortnight** from employment before it counts towards the income test - and you can even build up unused Work Bonus amounts to offset higher earning periods.

So, if you only do a few shifts a fortnight, you may find your pension remains unaffected - but once your income consistently exceeds the threshold, your payment will taper down.

WHEN EXTRA INCOME MEETS THE TAX SYSTEM

This is where things can get tricky. If your total income (from work, super, or investments) exceeds the **tax-free threshold**, you may also have to pay income tax.

For seniors, the **Senior Australians and Pensioners Tax Offset (SAPTO)** can lift your effective tax-free limit to around **$33,000 for singles or $29,000 each for couples**, but go much higher and you could face both a pension reduction and an income tax bill.

This interaction between the pension taper rate and income tax can create what's known as a **high effective marginal tax rate** - meaning for every extra dollar earned, you might lose a large portion to reduced pension and tax combined. It's one of the main reasons some pensioners limit their hours or shifts.

HERE'S A FEW EXAMPLES

- **Claudia, single pensioner:** Works one 6-hour shift per week at $30/hour, earning around $360 per fortnight. Thanks to the Work Bonus, most of this income doesn't reduce her pension.
- **Peter and Chloe, a couple:** Earn modest investment income plus casual wages. Their combined earnings push them above the income-free area, tapering their pension and nudging them close to the tax threshold.
- **Jack, semi-retired contractor:** Takes on short-term work that boosts his income significantly some months. Without tracking it, he risks overpayments and a reduced pension rate the following quarter.

GETTING THE BALANCE RIGHT

Earning extra income in retirement can be incredibly rewarding - but it's important to plan ahead so you understand the full picture.

Your accountant can help you:

- Model how extra work might affect your Age Pension and tax position.
- Track and report your income correctly to Services Australia.
- Make the most of available concessions like the Work Bonus and SAPTO.

Before taking on extra shifts or side work, take the time to discuss your options. With a little planning, you can enjoy the best of both worlds - staying active and earning a little extra, without giving too much back in the process.

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