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EOFY Tax planning

What to consider when tax planning for end of financial year

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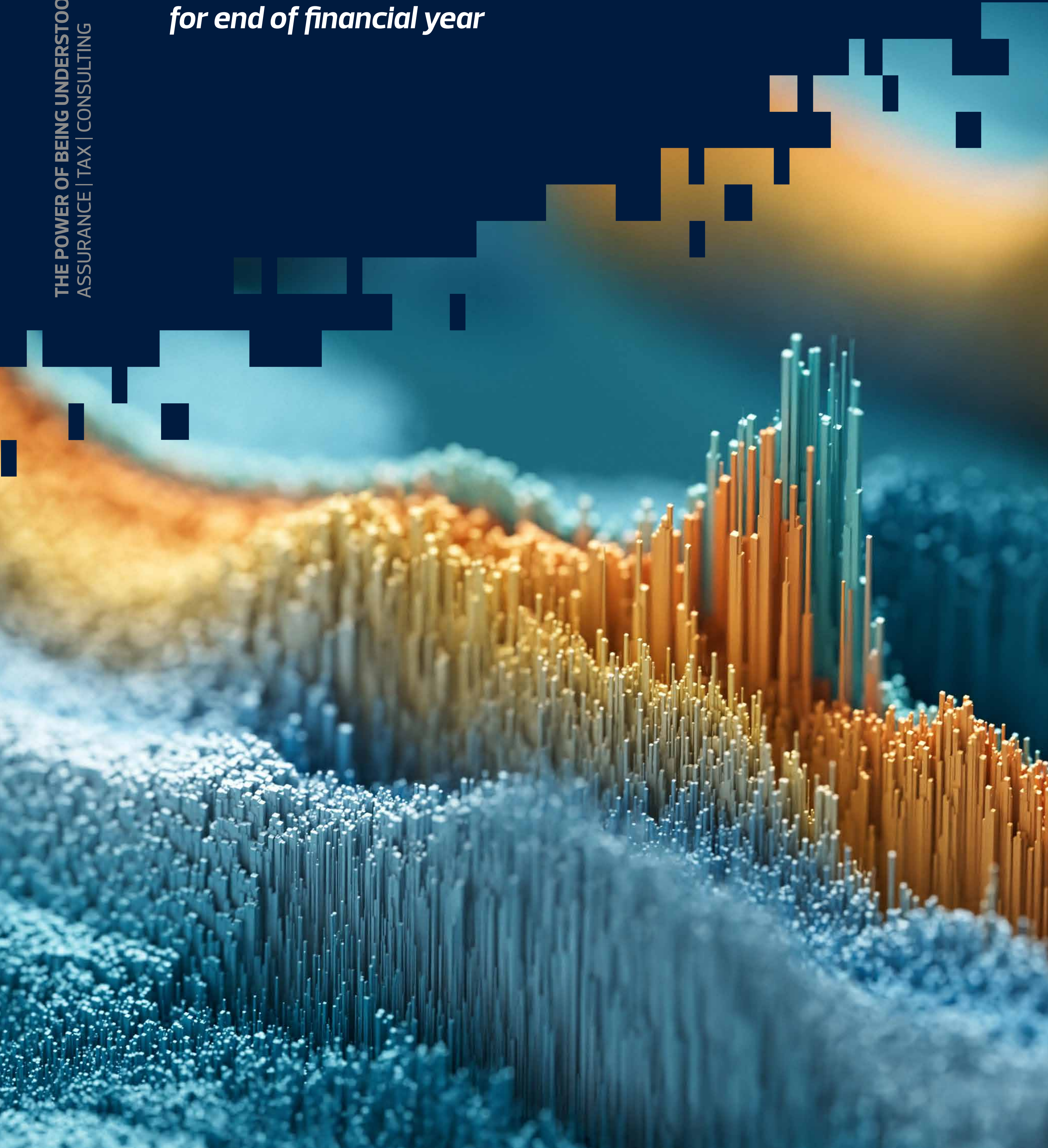


With the end of the financial year looming, it's time to think about your tax planning options before 30 June hits.

RSM

What to consider when tax planning for EOFY

We've curated a list of top things to focus on when organising your tax affairs for the 2026 year-end, applicable to businesses, primary producers, trusts and individuals.

Business tax planning

The most commonly overlooked deductions that could reap big refund rewards

When running a business, the payment of suppliers by the due date is a priority. While paying bills on time is always a primary concern, most businesses are unaware of the tax savings that can result from bringing forward the payment of certain expenses. Let's look at the most overlooked deductions that can accelerate your cashflow by postponing your tax liability.

Optimising your business structure — finding the structure(s) that best fit your business

Optimising your business structure is crucial for ensuring efficiency, scalability, and compliance. By selecting the right structure, whether it's a sole proprietorship, partnership, company, or trust, you can better manage your tax obligations, protect your assets, and streamline operations. Each structure has its unique advantages and potential drawbacks, making it essential to evaluate which one aligns best with your business goals and circumstances.

Tax optimisation: Is your current structure tax efficient? Consider whether the taxing point of your income is flexible and under your control. The right structure can significantly impact your tax liabilities and overall financial health.

Asset/wealth protection: Are your assets at risk if someone were to come after your business?

Implementing the appropriate structure can help shield your personal and business assets from potential claims and liabilities

Business succession: How difficult is it to pass your business to the next generation? Evaluate how to split business assets if there are multiple recipients and whether you are exposed to Capital Gains Tax (CGT) or if it can be avoided. Proper planning can ensure a smooth transition and minimise tax implications.

For tailored advice and to explore the options that best fit your business, contact your RSM adviser who can provide expert guidance and support.

Paying superannuation on time and before year-end

Most businesses have payroll software that enables posting payroll expenses into the general ledger by the click of a button. Employees are paid their net wage, but the superannuation contributions may be left in an unpaid superannuation account until the end of the month or quarter.

While most expenses are eligible for deduction when incurred, superannuation is only deductible when it is paid and received, on time, by a complying superannuation fund.

Superannuation contributions need to be received by the fund by the 28th day of the month following each quarter (with significant penalties for late payment). The June quarter superannuation liability is due by 28 July. Making payment before 30 June will allow your business to receive this tax deduction for the 2026 financial year, instead of the following year.

Please note the superannuation payment will need to be cleared and in the fund by 30 June 2026, therefore ensure the payment is made with enough time to clear.

Preparing for Payday Super – Superannuation Reform from 1 July 2026

From 1 July 2026, employers must pay Superannuation Guarantee (SG) contributions at the same time as wages. Contributions must be received by the employee's super fund within 7 calendar days of payday.

Employers may be granted extended due dates for super contributions in specific situations. These include:

- First contribution for a new employee or when contributing to a new super fund for an existing employee
- Out-of-cycle payments
- Exceptional circumstances affecting multiple employers

Super contributions and charges will be calculated on "Qualifying Earnings" (QE) instead of just Ordinary Time Earnings (OTE). QE is a broader term that includes OTE plus other amounts that form part of salary and wages for SG purposes. For example, salary sacrifice amounts and all commissions are included in QE from 1 July 2026.

Key actions for employers:

- Update payroll systems to calculate SG on "Qualifying Earnings" (QE) and report via STP.
- Transition away from the ATO's Small Business Superannuation Clearing House (SBSCH), which closes 30 June 2026.
- Begin testing systems early and consider voluntary adoption before the deadline.
- Review the ATO's Payday Super checklist and resources.

Penalties for non-compliance include:

- Super Guarantee Charge (SGC), which consists of the unpaid super amount calculated on Qualifying Earnings (QE), daily compounding interest at the general interest charge (GIC) rate, and an administrative uplift of up to 60%, depending on the employer's compliance history and whether they voluntarily disclose the shortfall.
- Additional penalties of up to 50% of the unpaid SGC may apply if the employer fails to pay the assessed SG charge within 28 days of the ATO's notice of assessment.

Moving to payday-based super payments requires employers to adjust their payroll processes and cash flow management. Instead of setting aside super each payday and holding it until the quarterly due date, businesses will have to remit those amounts to funds almost immediately. This could impact cash flow, so advance planning is essential.

Instant asset write off

The Australian Government extended the $20,000 instant asset write-off limit for an additional year, covering assets first used or installed between 1 July 2025 and 30 June 2026. This means eligible small businesses can immediately deduct the full cost of each eligible depreciating asset costing less than $20,000 (exclusive of GST) that is first used or installed in that period.

To access the instant asset write-off, you must be an eligible small business entity. The turnover threshold for using the simplified depreciation rules, including IAWO, is aggregated annual turnover under $10 million.

Any asset costing $20,000 or more (i.e. at or above the threshold) is not eligible for an immediate write-off in 2025–26. Such assets should be added to the small business general depreciation pool and depreciated at the standard rates: 15% in the first year (regardless of purchase timing) and 30% each year thereafter.

Under the extended law, if you're using the simplified depreciation rules, you can write off the entire balance of your small business pool at the end of the 2025–26 income year provided the closing balance is less than $20,000.

The instant asset write-off limit will drop back to $1,000 from 1 July 2026.

Writing-off bad debts before year-end

If you have a non-paying customer and there is a genuine concern regarding recovery of the debt, then some or all of the debt can be deducted in the current tax year provided it is written off before year-end and was included as income at an earlier time.

Keep in mind that you may be entitled to a reduction in GST for the bad debt written-off. If you are registered for GST and have included the forgiven amount in a prior period Business Activity Statement, you are entitled to adjust down the GST payable in the period that you write-off the bad debt.

Scrapping/disposing of plant and equipment before year-end

Businesses should review their fixed asset registers to ensure that they are not holding plant or equipment that they no longer require due to obsolescence. Even checking for assets that your business no longer holds could save you at tax time.

Depending on the written down value of the assets, a deduction can be claimed should the asset be 'scrapped' or disposed of prior to year-end.

Valuing closing stock at lowest value

It may be time to review how your business values stock on hand. Perhaps the value of closing stock used for tax purposes is based on your management accounts that uses the higher of net realisable value or cost. The ATO allows a business to value its closing stock at any of the following values:

- Replacement value
- Cost
- Market selling value

Depending on the stock valuation under these three methods a business can obtain a significant reduction in its tax liability by adopting a method that results in the lowest value.

In certain circumstances, a taxpayer may also be entitled to a deduction for a write-down of obsolete stock where appropriate valuations and measures are taken.

NOTE: Application of methods can differ for different inventory items. Liaise with your RSM Advisor to determine most suitable options for your business.

Committing to staff bonuses before year-end

It is common practice for a business to create a provision for payment of staff bonuses. However, a tax deduction is only available for staff bonuses to the extent that the business is 'definitively committed' to paying the bonus. Therefore, a business looking to claim a deduction for current year bonuses should keep appropriate documentation to support approval of those bonuses prior to year-end.

Prepaying expenditure eligible for immediate deduction

Review any of your expenditure that is eligible for a discount if paid for the next year. Not only can you take advantage of this saving but depending on the expenditure it can also result in an immediate tax deduction.

Since 1 July 2020, businesses with a turnover of less than $50 million are eligible to deduct any prepayment that has a service period of less than 12 months and all businesses can deduct prepayments that are either required under a Government law or cost less than $1,000.

Accruing expenses paid after year-end

Just because you haven't paid for goods or services until the following tax year, doesn't mean you can't take advantage of the deduction this year. To the extent that services are provided to you before year-end even though they are invoiced after year-end, and the cost can be reasonably estimated, the expenditure may be deductible in the year in which the service was provided.

Deducting 'consumables' contained within closing stock

If your business holds consumable stores or spare parts that are to be used within three months after year-end, the ATO's view is that businesses can deduct the costs of consumables in the year acquired, as opposed to having to include the amount in closing stock. It can be beneficial for businesses to review their consumables and claim upfront where possible.

Immediate deductibility of start-up costs

If you started your small business during the current year (or will do before year-end), the costs associated with starting the business will be deductible (e.g. accounting fees, legal costs, company incorporation costs and trust deed costs).

Division 7A Loans

Company loan to shareholders

If you are a shareholder or a shareholder's associate and you borrowed money from a company for personal use during the 2026 financial year, these loans need to be repaid or placed on a complying loan agreement by the lodgement due date for the 2026 company tax return. If not, there is a risk that the loan will potentially be treated as a deemed unfranked dividend and taxed in the hands of the shareholder or shareholder's associate.

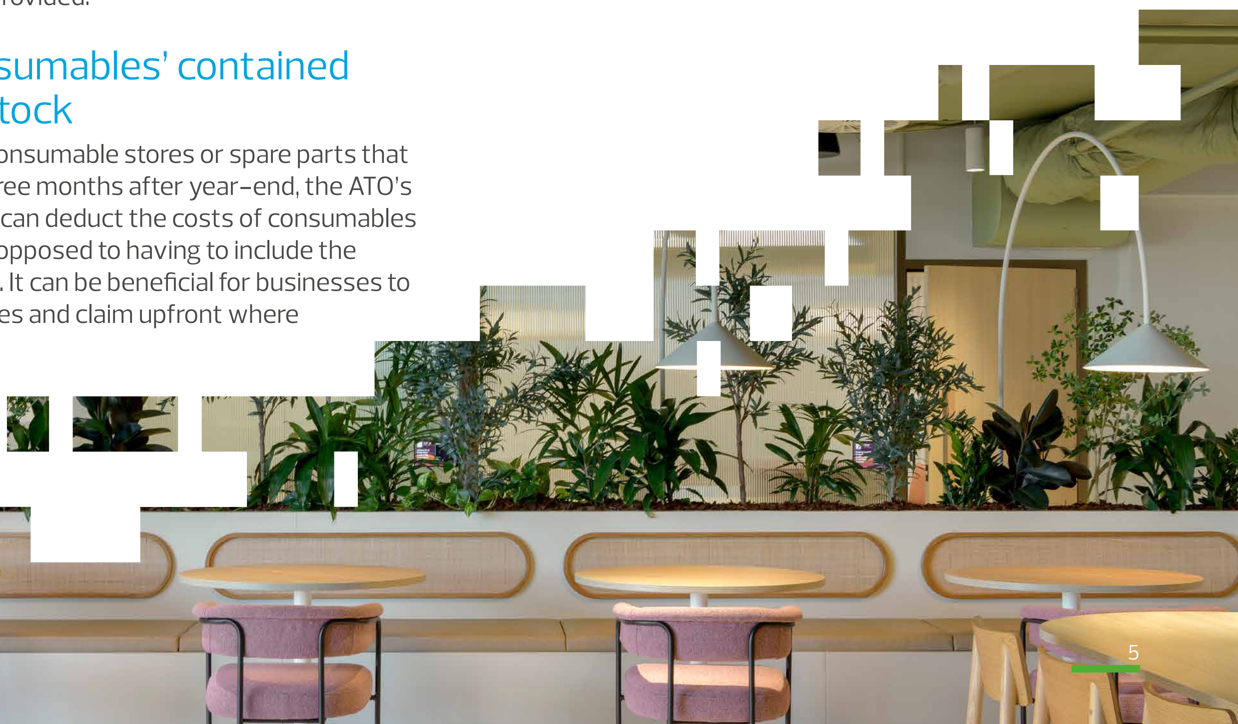
In respect to existing Division 7A loans, please ensure the minimum annual loan repayment is received by the company prior to 30 June 2026.

Benchmark interest rate increase

In the 2026 financial year there has been a decrease in the minimum interest rate that must be applied to loans for them to remain Division 7A compliant.

The rate for the 2026 financial year is 8.37% (down from 8.77% in FY2025).

Liaise with your RSM advisor prior to year-end to discuss the best strategy to manage Division 7A exposure.



Primary producers

Fencing and storage assets

Primary Producers can immediately deduct capital expenses for fencing and fodder storage assets. Fodder Storage assets include assets or structural improvements used primarily and principally for the purpose of storing fodder. Dual purposes assets must primarily store fodder.

Fencing Assets include posts, rails, wire, droppers and gates. Fencing assets includes structural improvements or assets that are a fence, or a repair of a capital nature or an alteration, addition, or an extension to a fence.

Prepayment products

Primary producers can also access tax deductions by making prepayments through various businesses prepayment products This allow prepayment for future farming needs, typically in the following financial year. Customers can also receive a credit as a reward for the extended payment-collection period, credited bank to their supplier account. This reward cannot be redeemed as cash but only as a credit. These arrangements rely on an ATO Product Ruling to support a full deduction in the year of payment. Clients should confirm with their RSM adviser that a relevant Product Ruling applies.

Expenses for landcare operations

Primary producers can immediately deduct expenses for Landcare operations aimed at Environmental conservation and sustainable land management. These include drainage works to combat salinity, erosion control measures and installing fences under approved management plans.

Profit from forced disposal of livestock

With many areas around Australia being affected by adverse weather conditions, some farmers have been forced to destock pastures (Flood and drought). This includes spreading the profit on disposal of livestock over a five-year period or electing to defer the profit to reduce the replacement cost of livestock to reduce the tax impost in the year of disposal.

Primary production income averaging

Primary production averaging can be used to average the income of primary producers over a five-year period. When a primary producer's average income is less than their taxable income, they are entitled to an averaging tax offset. If their average income is more than their taxable income, they will be subject to pay complementary tax.

Careful planning and review within a farming group could result in significant tax savings through attaining averaging benefits as well as minimising any complementary tax.

Farming management deposits (FMD)

Farm Management Deposits (FMDs) are designed to assist primary producers to manage income volatility arising from seasonal and market fluctuations. FMDs allow eligible taxpayers to reduce assessable income by making tax deductible deposits in higher income years and include withdrawals as assessable income in lower income years.

From 1 July 2018, the maximum amount of all deposits that can be held by an individual is $800,000, with a minimum amount remaining at $1,000.

Tax deductions are available for FMD's made in the same year if not withdrawn within 12 months. Farmers earning more than $100,000 of non- primary production income won't be eligible to claim the deduction for an FMD. Farmers hit by natural disasters like drought can withdraw FMDs within 12 months without losing tax benefits under specific conditions such as proving six- month rainfall deficiency. In certain circumstances FMD's can now offset farm business debt interest costs.

If you are experiencing financial hardship and wish to access your FMD early, please contact on RSM Advisor to discuss what options may be available.

Trusts

Trust distribution

Trust deed review and resolutions

Trustees need to ensure trust distribution resolutions are prepared and signed by 30 June 2026, in accordance with the trust deed . Trustees need to be mindful of the ATO's current focus areas.

Trustees should also consider having the trust deed reviewed by a solicitor to ensure it remains fit for purpose, including:

- confirming whether the deed permits the streaming of different classes of income (such as capital gains and franked distributions) and that distribution resolutions appropriately reflect the character of the trust's income;
- reviewing the appointor/guardian succession provisions to ensure there is a clear and effective line of succession;
- confirming the trust's vesting date and whether any action is required; and
- ensuring the trustee's powers remain appropriate for the trust's current activities and objectives.

Family Trust Elections (FTEs)

Where a trust has made a Family Trust Election, or distributes income or capital to related companies, trusts or partnerships, special tax rules apply that can restrict who distributions may be made to once an election is in place. Changes to group structures, ownership or control, or the introduction of new entities during the year can unintentionally result in family trust distribution tax if distributions are made outside the family group. Trustees should review proposed distributions where structural changes have occurred during the year.

Section 100A – family trust arrangements

The ATO continues to focus on trust distributions where the beneficiary does not ultimately receive and enjoy the benefit of the income. Section 100A is an anti avoidance provision that may apply where trust income is distributed to one beneficiary, but under an arrangement or understanding, the benefit is provided to another person.

Trustees should:

- Review proposed distributions to ensure beneficiaries are expected to genuinely receive and retain the benefit of their entitlement.
- Exercise caution where distributions are made to adult children (aged 18 and over) or corporate beneficiaries, particularly where funds may be redirected, retained by the trust, or applied for another person's benefit.
- Identify arrangements involving unpaid present entitlements (UPEs) or delays in payment and consider whether these are consistent with ordinary family or commercial dealings.
- Avoid circular, informal or "on paper only" arrangements where trust income is used by another party.
- Ensure distribution decisions are properly documented and supported by a clear commercial or family rationale.

Division 7A Loans – Trust distributing to a company

When deciding to distribute income from a trust to a company during the 2026 financial year trustees need to ensure they have considered Division 7A consequences.

An unpaid present entitlement (UPE) owing to the company may give rise to adverse tax consequences if it is not appropriately managed by the company's lodgement day. Management may include the need for the entitlement to be repaid or placed on a complying Division 7A loan arrangement within the required timeframe. Clients with trust structures used for business or investment purposes are encouraged to review their arrangements before 30 June and discuss any proposed distributions with their RSM adviser to ensure compliance with current ATO guidance.

Trustees' discretionary powers

Trustees of discretionary trusts should be aware that, despite broad discretionary powers, they are required at law to exercise their discretion in good faith, with real and genuine consideration, and in accordance with the purposes for which the discretion was conferred. A failure to do so may result in a distribution being void or voidable.

This principle was highlighted in Owies v JJE Nominees Pty Ltd [2022] VSCA 142. In practice, trustees should ensure they are appropriately informed of beneficiaries' circumstances and that distributions reflect the trust's intended purpose. Trustees are not required to record their reasons for decisions, and care should be taken where specific reasons are documented, as these may be subject to scrutiny.

Individual tax planning

Bring forward deductions

Taxpayers who own an investment property or have an investment portfolio margin loan may consider prepaying interest up to 12 months in advance (service period ending prior to 30 June 2027) on investment loans and claiming a deduction in the 2026 year for the prepayment.

Work from home expenses

The ATO have revised the fixed rate method to calculate work from home expenses and has changed the requirements of records required to keep. Speak to your RSM adviser for more details.

Motor vehicle claims

If you frequently use your own vehicle for work related travel, a logbook may increase your motor vehicle deduction.

A logbook must be kept for 12 consecutive weeks and updated every five years or whenever your vehicle use materially changes. In addition to maintaining a logbook ensure you keep written evidence of all motor vehicle expenses such as insurance, services, license and registration paid during the financial year.

If you do not maintain a logbook the maximum work-related kilometres an employee will be entitled to claim is 5,000 kilometres at a rate of 88 cents for the 20254-26 financial year.

It is important to note, in most cases, home to work travel is not included as considered work-related.

Donations

A donation to a Deductible Gift Recipient (DGR) may be a great way to reduce your taxable income while contributing to a good cause.

If you intend to make a donation prior to 30 June 2026, ensure that the donation is made to a DGR and that you retain the receipt. A non-exhaustive list of DGRs are available on the ATO's website.

Income protection policy

If your income protection policy is owned by you personally it is an income tax deduction in your individual tax return.

It may be wise talking to your financial adviser about your income protection policy being in your personal name instead of your superannuation fund to result in a personal tax deduction. In addition, to increase your deduction it may be beneficial to pay your policy annually prior to year-end instead of monthly.

Managing capital gains exposure

You may consider reviewing any capital gains made during the financial year. If you have had a capital gains tax event during the year, evaluate any other assets you hold that are in a loss position and consider if it is an appropriate time to sell these to reduce your capital gains tax exposure.

Be aware that individuals have access to the 50% capital gain concession if they hold an asset for more than 12 months. We note that there is significant speculation in the media regarding potential changes to capital gains tax discount, however at the date of writing there are no legislated changes for the 2026 financial year.

Superannuation contributions – Concessional contributions

Just before the financial year end is a great time to do a financial check of your funds and if you have any excess cash, it might be worthwhile investing in your retirement and topping up your superannuation fund.

Any concessional contributions made into your superannuation fund up to the cap of $30,000 is an income tax deduction against your assessable income. Since 1 July 2017 you are now able to make concessional contributions to your superannuation fund regardless of how your income was received. This means even if you are not self-employed you can still make an eligible concessional contribution and have the amount deductible in your tax return.

You must be aged under 67 to make personal concessional contributions, unless you pass the work test (40 hours work in any 30 consecutive day period during the year), in which case you must be no older than 75.

The annual concessional contributions cap is now $30,000 for all individuals, but this cap includes any contributions an employer makes for you as well so be careful to include these in any calculations!

Superfund members with a total super balance (the total of all superannuation accounts you may have) under $500,000 on 30 June in the previous financial year, can use previously unused concessional caps over five years. If the cap isn't utilised in a year the unused amount can be carried forward up to five years. However, any unused amounts expire after five years. For example the used cap amount from the 2021 year will expire at the end of the 2026 year.

If you have had more than one job during the financial year you should make sure that you have not exceeded your concessional contribution cap as excess contribution amounts will be taxed at your marginal tax rate (less a 15% tax offset) plus an excess concessional contributions charge.

To claim a deduction for superannuation contributions in your income tax return you must provide a signed notice (Section 290-170 notice) to your superannuation fund to notify them of your intention. You must receive an acknowledgement notice from the fund confirming your contribution, prior to the lodgement of your individual income tax return.

Helping you protect your assets, your reputation and your future

Non-concessional contributions (after-tax contributions)

Members under 75 years of age may be able to make non-concessional contributions subject to a yearly cap of $120,000 or up to $360,000 over a three-year period depending on their total superannuation balance.

Contribution and 'bring forward' available to members under 75:

Superannuation balance	Contribution and bring forward available
Less than $1.66 million	Access to $360,000 cap (over three years)
Greater than or equal to $1.66 million and less than $1.78 million	Access to $240,000 cap (over two years)
Greater than or equal to $1.78 million and less than $1.90 million	Access to $120,000 cap (no bring-forward period, general non-concessional contributions cap applies)
Greater than or equal to $1.90 million	Nil

Members are not eligible to make non-concessional contributions once they are 75 or older.

Due to the strict rules and regulations around superannuation funds and member contributions we advise you to contact us prior to making any non-concessional contributions as excess contributions may be taxed at 47%.

Government co-contribution to your super

If you are on a lower income and earn at least 10% of your income from employment or carrying on a business and make a "non-concessional contribution" to super, you may be eligible for a Government co-contribution of up to $500. In 2025, the maximum co-contribution is available if you contribute $1,000 and earn $47,488 or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $47,488 and $62,488.

Division 293 tax on superannuation contributions

Individuals whose combined income and concessional contributions for Division 293 purposes is more than $250,000 will be subject to an additional 15% tax on their taxable superannuation contributions.

Medicare levy surcharge

Singles and families who do not have adequate private health insurance cover will be liable for the Medicare levy surcharge. This is determined by the income thresholds, set out in the table below.

	No change	Threshold 1	Threshold 2	Threshold 3
Singles	$101,000 or less	$101,001–$118,000	$118,000–$158,000	$158,001 or more
Families	$202,000 or less	$202,001–$236,000	$236,001–$316,000	$316,001 or more
Rate	0.0%	1.0%	1.25%	1.5%

Note: The family income threshold is increased by $1,500 for each dependent child after the first child.

Ensure you have appropriate private health insurance going forward to avoid paying the Medicare levy surcharge.

For more information please get in touch with us at
rsm.com.au/contact-us

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