

client alert | explanatory memorandum

June 2025

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 26 May 2025.

Tax and your child's money: what parents need to know

As a parent or guardian, it's essential to understand how tax applies to your child's money. If your child is under 18 years old and has a savings account or receives other income, you need to know how to help them manage their finances and meet their tax obligations.

Does tax apply to my child's money?

Yes, tax can apply to money your child receives, such as bank account interest or dividends from shares.

For tax purposes, a "minor" is an individual under 18 years of age at 30 June of the income year. Special tax rules for minors apply until they no longer meet this definition.

- *Special tax rates for minors:* For 2024–2025, for income of Australian resident minors:
 - \$0 to \$416: no tax;
 - \$417 to \$1,307: 66% of the amount over \$416; and
 - over \$1,307: 45% of the total income.
- *"Excepted income" and "excepted persons":* If your child's income is excepted income, or they're an excepted person, they're taxed at the same rates as an adult. This means they can usually take advantage of the \$18,200 tax-free threshold. Excepted income includes amounts like employment earnings and taxable pensions from Centrelink; excepted persons include children who work full-time, or have certain disabilities.
- *Bank account interest:* There are specific thresholds for children under 16, until the end of the calendar year they turn 16:
 - *Interest under \$120 per year:* Financial institutions generally won't withhold tax.
 - *Interest between \$120 and \$420 per year:* If the bank has the child's date of birth or Tax File Number (TFN), tax usually won't be withheld, and a tax return isn't needed for this income alone.
 - *Interest of \$420 or more per year:* If a TFN is provided, tax won't be withheld. Otherwise, the bank will withhold tax at 47%. For children aged 16 or 17 earning \$120 or more in interest, providing their TFN prevents tax withholding.

Does my child need a tax file number?

There's no minimum age to apply for a TFN, and it can be useful for children to have one.

If you need to lodge a tax return on your child's behalf, or they need to lodge their own (eg to claim a refund of withheld tax or because their income requires it), they will need a TFN.

Financial institutions and share registries may withhold tax at the highest marginal rate (currently 47%) from interest or unfranked dividends if a TFN isn't provided. If money and its earnings are genuinely your child's, you should quote your child's TFN. If you're holding money as a trustee for your child without a formal trust, you'd quote your TFN. If there's a formal trust, use the trust's TFN.

Do I include the money in my tax return, or lodge a return for my child?

This depends on who the ATO considers the owner of the income.

If you (a parent or guardian) provide the funds, control how they're used and spend the earnings, that income is generally considered yours and should be declared on your tax return.

Your child may need a separate tax return if:

- the income's genuinely theirs and tax has been withheld (eg from bank interest or dividends because no TFN was provided), and you want to claim a refund;
- for share income specifically, if your child owns the shares and their dividend income (plus any other income that needs to be declared) is more than \$416 for the year, a tax return must be lodged on their behalf. Even if it's \$416 or less, a return can be lodged to claim refunds of tax withheld or franking credits; and
- generally, if their total "non-excepted income" (income subject to the higher minor tax rates) exceeds \$416, a return is needed.

Managing your child's financial beginnings and helping them learn to handle their money is an important process. Understanding these tax aspects can help ensure everything's set up for them correctly.

Source: www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/income-you-must-declare/your-income-if-you-are-under-18-years-old

www.ato.gov.au/individuals-and-families/investments-and-assets/investing-in-bank-accounts-and-income-bonds/children-s-savings-accounts

Working out your WFH expenses this tax time

To be eligible to claim working from home (WFH) expenses, you need to be genuinely working from home to fulfil your employment duties, not just checking emails or taking occasional calls. You must also incur additional running expenses because of your WFH arrangement. These additional costs can typically include energy expenses for heating, cooling and lighting, home and mobile internet or data, phone expenses, and stationery or office supplies.

When it comes to calculating your deductions, you can choose the "fixed rate method" or the "actual cost method". For both methods, you'll need records that accurately track your WFH hours. You can keep a diary or timesheets covering a representative four-week period showing your usual work pattern, or you can maintain a record of your entire year's WFH hours. You'll also need documentation showing you've incurred additional expenses, such as receipts and bills, and be able to demonstrate the proportion that relates to work.

Fixed rate method: This approach simplifies your calculations by applying a set rate for each hour you work from home. For the 2024–2025 income year, this rate is 70 cents per hour. To calculate your deduction, simply multiply your total WFH hours by 70 cents. Remember, if you choose this method, you can't claim additional separate deductions for expenses already covered under the fixed rate method, such as stationery supplies.

Actual cost method: This approach requires you to keep detailed records of all additional costs incurred while working from home. You'll need to track your WFH hours and maintain comprehensive records for all your WFH expenses.

It's important to understand what you can't claim when working from home. This includes items your employer might provide at the office, such as tea or coffee or other general household items. You also can't make a claim for employer-provided laptops or mobile phones, or expenses which your employer has reimbursed.

Making additional claims

You can make separate claims for expenses not covered by either of the above methods, such as work-related technology and office furniture like chairs, desks, computers and bookshelves, as well as repairs or maintenance on these items.

If you use depreciating assets for both work and personal purposes that cost more than \$300, you'll need to calculate the work-related proportion and only claim that percentage as a deduction for the decline in value over the effective life of the item. For items costing \$300 or less, such as keyboards or computer mice, you can claim an immediate deduction in the year of purchase rather than depreciating them over time.

Would your claim pass the pub test?

For a work-related expense to be deductible, it *must* directly relate to earning your income.

The ATO has shared some recent eyebrow-raising work-related expense claims that were rejected: a mechanic tried to claim an air fryer, a microwave, two vacuum cleaners, a TV, and gaming equipment; and, even more ambitiously, a fashion industry manager claimed over \$10,000 in luxury clothing and accessories in order to be "well presented" at work and events, dinners and functions.

If you're unsure whether an item you want to claim qualifies as an allowable work-related expense, check the ATO website for guidance or speak with your registered tax agent before including it in your return.

Source: www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses

Car expenses: using the cents per kilometre method

The cents per kilometre method is a simple way to work out how much you can deduct for car-related work or business expenses. Only individuals, including sole traders, or partnerships (where at least one partner is an individual) can use the cents per kilometre method to claim for use of a car. So if you operate your business through a company or trust, the business will have to use the actual costs method to claim car and vehicle running expenses.

The cents per kilometre rate takes into account all your car running expenses (including registration, fuel, servicing and insurance) and depreciation.

How does the cents per kilometre method work?

To work out how much you can claim as a deduction, you simply multiply the total work/business kilometres you travelled by the appropriate rate.

The rate for the 2024–2025 tax year is 88 c/km. The rate for the 2023–2024 tax year was 85 c/km. The rates are usually updated each year.

Importantly, you cannot claim more than 5,000 work/business kilometres per car, per year. So if you use your car for more than 5,000 kilometres a year for work or business purposes, you will need to use the logbook method to calculate your deductible car expenses.

You don't need written evidence to show exactly how many kilometres you travelled (although the ATO may ask you to show how you worked out your work/business kilometres, for example diary records).

What is considered a “car”?

The cents per kilometre (and logbook) method only applies to cars. For tax purposes, a car is a motor vehicle (including a four-wheel drive) designed to carry a load of less than one tonne and fewer than nine passengers.

This means utes are generally not cars for tax purposes and thus you cannot use the cents per kilometre (or logbook) method to calculate your deductible ute expenses. You will have to use the actual costs method instead.

Apportioning private use

If you use a motor vehicle for both work/business and private use, you must be able to correctly identify and justify the percentage that you are claiming as work/business use. You cannot claim a deduction for the percentage that is for private use. This is an area where the ATO often sees errors made.

You can use a logbook or diary to record private versus work/business travel.

Note that travelling between your home and your place of work/business is considered to be private use, unless your home is considered to be your place of work, or you operate a home-based business and your trip was for work/business purposes.

Source: www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/deductions/deductions-for-motor-vehicle-expenses/motor-vehicle-expense-calculation-methods

Instant asset write-off extended to 30 June 2025

Announced as part of the 2024-25 Budget, and now legislated, the \$20,000 instant asset write-off limit has been extended for a further 12 months until 30 June 2025 to continue to provide support for small businesses.

What is the instant asset write-off?

The instant asset write-off enables eligible businesses to claim an immediate deduction for the business portion of the cost of an asset in the year it is first used or installed ready for use. Access to the write-off is designed to incentivise businesses to invest in profit-generating machinery and equipment and encourage business to identify which parts of their operations would become more profitable by investing in the right assets.

The instant asset write-off can be used for:

- new and second-hand assets; and
- multiple assets if the cost of each individual asset is less than the relevant limit.

Who is eligible for the instant asset write-off?

To claim the instant asset write-off, a small business must use the simplified depreciation rules, and the write-off cannot be used for assets excluded from those rules. Eligibility criteria, the year in which you may use the instant asset write-off to claim an immediate deduction for an asset, and the threshold limits, have changed over time, and depend on:

- your aggregated turnover (the annual turnover of your business and that of any business entities that are your affiliates or connected with you);
- the date you purchased the asset;
- when it was first used or installed ready for use; and
- the cost of the asset being less than the limit.

To be able to take advantage of the \$20,000 threshold for the 2024-25 income year as a small business you will need to: have an aggregated turnover of less than \$10 million; apply the simplified depreciation rules; and acquire the asset and first use it, or install it ready for use, between 1 July 2024 and 30 June 2025. The \$20,000 limit applies on a per asset basis, so you can instantly write off multiple assets.

Assets valued at over \$20,000 can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each year after that. Additionally, pool balances under \$20,000 at the end of the 2024-25 income year can be written off.

What assets are eligible?

The simplified depreciation rules apply to most depreciating assets, including items like office furniture or equipment; computers; tractors or tools. However, the instant asset write-off doesn't apply to certain depreciating assets including: assets leased out for more than 50% of the time on a depreciating asset lease; horticultural plants, including grapevines; software allocated to a software development pool; assets used in your research and development (R&D) activities; and capital works, including buildings and structural improvements.

Source: [www.ato.gov.au/businesses-and-organisations/small-business-newsroom/\\$20000-instant-asset-write-off-for-2024-25](https://www.ato.gov.au/businesses-and-organisations/small-business-newsroom/$20000-instant-asset-write-off-for-2024-25)

Playing music in your business? Get your licensing sorted

Music can be a powerful tool in creating the right atmosphere for your business, whether it's a bustling café or a serene salon. However, it's important to understand that most music is legally protected by copyright, meaning businesses need permission or a licence to play it in public settings. Here's what you need to know about obtaining a music licence, ensuring compliance with the law, and supporting music creators.

Why you need a licence

When music is played in public spaces like businesses, it's considered a public performance, which requires permission from the copyright owners. This is different from playing music at home, where no licence is needed. Failing to comply with this requirement can lead to legal action and potentially hefty fines. In fact, in 2018, a Melbourne bar owner was ordered to pay nearly \$200,000 in damages for playing music without the proper licence.

Licensing your music use

Getting a music licence can be straightforward. You could contact each song's copyright holder directly, but this could be an overwhelming task! A more efficient option is to obtain a licence through a music rights organisation such as OneMusic, which is a joint initiative of APRA AMCOS (the Australian Performing Rights Association and Australasian Mechanical Copyright Society) and PCCA (the Phonographic Performance Company of Australia).

OneMusic can provide a single licence covering the majority of commercially available music, simplifying the process for businesses. A public performance music licence is the most common when playing music for customers or staff, and is usually held by shops, bars, cafes, gyms, salons and museums, among many others.

Cost and tax considerations

The cost of a music licence varies based on your business type, size and how you use the music. Licences can start as low as \$100 per year for small businesses, like a retail store under 50 square metres playing radio or TV. Larger businesses or those using streaming services may pay more.

Some small businesses may qualify for a complimentary licence as long as they employ fewer than 20 people; play music only through one radio or TV device, or via employee headphones; and, importantly, don't play music for customers or the general public.

Music licence fees, like other business expenses, can generally be claimed as a tax deduction as long as they are directly related to earning your assessable income. Speak with your accountant, and make sure to keep clear records about your licence fee payments.

Supporting music creators

By obtaining a licence, you ensure that music creators are compensated for their work. Licence fees collected by OneMusic are distributed to the rights holders, supporting songwriters, composers, and performers. Approximately 85% of collected fees are paid out to these individuals, helping sustain the creative industry.

Practical steps for compliance

To ensure compliance, review the type of music you play and the source. If you use music from a background music supplier, check if they cover your OneMusic licence fees. If not, or if you use music from other sources, you'll need to obtain a licence directly. Also, if your business has multiple locations, each one must be licensed.

By understanding and fulfilling your music licensing obligations, you can play music confidently in your business, create an inviting environment, and support creative artists – sounds good!

Source: <https://business.gov.au/legal/playing-music-in-your-business>

<https://onemusic.com.au/>

ATO warns about misinformation on super changes circulating online

Are you worried about rumours claiming your super preservation age will change from 1 June 2025? Take a deep breath – the ATO has confirmed these claims are false.

The ATO has recently issued a warning about misleading information spreading online regarding supposed changes to superannuation preservation and withdrawal rules. According to ATO Deputy Commissioner Emma Rosenzweig, this is “classic misinformation” that you should disregard.

“The maximum preservation age – the age when you can access your superannuation savings on retirement – is 60 for anyone born from 1 July 1964”, she confirmed.

False claims

Some of the misleading claims currently spreading online include:

- that the preservation age will increase from 60 years to 70 years by 2030;
- that lump-sum withdrawals will be capped at 50% of a person's balance;
- that there will be new “phased withdrawal limits” for people in pension phase;
- that a “deferred access bonus” of 3% per year up to age 75 will be introduced; and
- that early access to super will face tighter eligibility criteria and capped withdrawals.

None of these claims are true. No such changes have been proposed by the Australian Government or Treasury, and none are in legislation.

Your super access rights

It's important to understand when you can legally access your super, which is:

- when you reach preservation age and retire;
- when you turn 65, regardless of whether you're still working; and
- if you're between 60 and 65 and haven't retired, you can start a transition to retirement income stream (TRIS), which allows you to receive a regular income from your superannuation.

For anyone born on or after 1 July 1964 their preservation age is 60. People born before this date will have a lower preservation age.

To satisfy the “retired” condition, you must have reached preservation age and ended a position of gainful employment. If your employment ended after you reached your preservation age, there are no further requirements. However, if your employment ended before reaching your preservation age, the trustee of your fund must be reasonably satisfied that you don’t intend to work for 10 or more hours each week.

Protecting yourself from misinformation

The ATO has observed websites attempting to harvest personal information such as Tax File Numbers, identity details and myGov login credentials under the guise of providing “super advice”.

To protect yourself:

- Always verify information through trusted sources like the ATO, ASIC’s MoneySmart or your super fund.
- Consult a registered tax professional or licensed financial adviser for personalised guidance.
- Be wary of “free expert” tax advice from unverified sources.
- Think twice before acting on information from social media or non-official websites.
- Check if tax professionals are registered with the Tax Practitioners Board before engaging their services.

What this means for your retirement planning

If you’re approaching retirement, you can rest assured that the established rules for accessing your super remain unchanged. You still have options for how to receive your benefits, including:

- taking a super lump sum;
- starting a super income stream; or
- using a combination of both approaches.

Remember that the tax implications of withdrawing your super depend on factors including your age, the amount withdrawn, and whether you receive benefits as an income stream or lump sum.

While it’s important to stay informed about genuine superannuation developments, be vigilant about the sources you trust. This misinformation often appears legitimate and targets people at a vulnerable time when they’re making major financial decisions. Articles and emails may look professional and authoritative, but they’re designed to spread fear and confusion.

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