Practice Update

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ATO to continue accepting credit cards until 30 June 2027

The ATO has confirmed that it will continue to accept credit card payments for tax obligations until **30 June 2027** (i.e., despite the Reserve Bank's credit card surcharge reforms).

After 30 June 2027, taxpayers who wish to continue using a credit card to meet their tax obligations may continue to use third-party payment providers.

The ATO encourages taxpayers considering these options to carefully evaluate any relevant fees, charges and processing timeframes.

ATO focus on omitted income, private expenses and GST

The ATO is stepping up compliance action against businesses that omit income, over-claim expenses and GST credits, or use business income to pay for private expenses. Common errors the ATO continues to see include:

- ❑ not reporting all business income, including cash sales and contractor income;
- ❑ paying workers in cash to avoid tax and super obligations;
- ❑ claiming private expenses as business deductions, or incorrectly claiming GST credits;
- ❑ using business bank accounts, credit cards or assets for private expenses; and
- ❑ failing to keep accurate records of business transactions.

The ATO reports that its audits uncovered more than $210 million in unpaid taxes in the 2026 income year.

The ATO also issued more than $50 million in penalties to businesses that deliberately omitted or under-reported income, such as cash payments.

ATO targets promoters of early release of super schemes

The ATO and the Australian Health Practitioner Regulation Agency are concerned that some health practitioners and third-party facilitators are using predatory practices to get individuals to inappropriately access their super.

Red flags include practitioners or third parties advertising early access to super for cosmetic or dental procedures on social media, or asking for myGov sign-in details so they can 'apply for you'.

Other common red flags include:

- ◆ practitioners conducting telehealth appointments, rather than in-person examinations for 'compassionate release of super';
- ◆ recommending more expensive treatments when cheaper options may be available;
- ◆ encouraging the use of super to pay for treatment, rather than other payment options, such as a payment plan;
- ◆ requiring the use of a specific provider to prepare the second 'compassionate release of super' medical report, or a specific third party to submit the application;
- ◆ requiring upfront payment for treatments and withholding information about the ongoing costs of the treatment; and
- ◆ charging fees to assist with preparing or submitting a 'compassionate release of super' application without being a tax agent.

Work cars: Are employers overlooking private use?

The ATO is calling on employers to check how their employees use work cars, as FBT may apply where a car is **used** or **made available for private use** by an employee or their family members or associates. Private use can include:

- ❑ doing school pick-ups or drop-offs (even if it is on the way to or from work);
- ❑ running personal errands;
- ❑ garaging the car at or near the employee's home (even for security reasons); and
- ❑ taking the car on weekend recreational trips.

ATO highlights common rental property deduction errors

The ATO has recently published the three most common rental property deduction errors it sees.

Not apportioning interest expenses correctly

Broadly, rental property owners can only claim deductions for interest they pay on a loan used to:

- ■ buy the rental property;
- ■ buy a depreciating asset for the property (e.g., an air conditioner);
- ■ pay for deductible expenses (e.g., repairs) that arise from renting out the property; or
- ■ finance renovations and extensions to the rental property.

Interest on any part of the loan used for private purposes is **not** deductible.

Where the loan is refinanced or redrawn to pay private expenses, such as school fees or a holiday, a deduction cannot be claimed for the interest on that portion.

Incorrect claims of repairs vs capital works

The ATO continues to see errors in claims for repairs, maintenance and capital works expenses.

Generally speaking:

- ■ repairs, such as fixing wear and tear, or damage to a property that occurred while renting it out, can be claimed as a deduction in the year they occur;
- ■ improvements, such as renovating or replacing an entire structure, are capital expenses which can be claimed over time (generally 40 years); and
- ■ adding or replacing something that's not part of the structure (e.g., a new appliance) is a depreciating asset and the cost is generally claimed over the asset's effective life.

Separating private use of a property (and apportioning deductions)

The ATO is also seeing rental expenses not being apportioned for any private use.

Generally speaking, if a rental property owner:

- ■ only uses part of the property to earn rent (e.g., renting out a room in their home) — they must apportion the expenses based on the area of the property rented;
- ■ rents out the entire property, but for only part of the year — they must apportion the expenses based on the number of days it was rented or held to produce rental income; or
- ■ charges below market rates of rent, and the expenses incurred are more than the amount of rent received — the ATO expects them to apportion the expenses by limiting them to the amount of rent derived from the property (so there is no net rental income or loss).

Where the rental property owner uses the property as a holiday home, they cannot claim ownership and use expenses, such as interest, rates and repairs, unless they *'used or held it for use **mainly** for producing rental income'*.

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