

Monthly Tax Update

June 2025

In this edition of Andersen in Australia's **Monthly Tax Update**, we provide recent legislative updates and outline the latest developments in the areas of corporate tax, individual tax, indirect tax and international tax. We also examine the ATO's recent activities, publications, rulings and other guidelines and discuss the latest Australian tax cases.

Legislation Update

Treasury Laws Amendment (Paid Parental Leave Superannuation Consequential Amendments) Regulations 2025

A new legislative instrument has been enacted to make consequential amendments to the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), supporting the changes introduced by the Paid Parental Leave Amendment (Adding Superannuation for a More Secure Retirement) Act 2024 (PPL Super Act).

The PPL Super Act amended the Paid Parental Leave Act 2010 to introduce a superannuation payment requirement under the Paid Parental Leave (PPL) scheme for births and adoptions which occur from 1 July 2025. Individuals who qualify will now receive an additional payment equal to 12% (the new legislated superannuation guarantee rate from 1 July 2025) of their Parental Leave Pay as a superannuation contribution. This additional amount will be paid annually by the ATO, along with an interest component.

The Treasury Laws Amendment (Paid Parental Leave Superannuation Consequential Amendments) Regulations 2025 will amend the SIS Regulations to ensure that minimum benefits for members of defined benefit superannuation funds — without a benefit certificate — include any PPL superannuation contributions paid to those members. The Regulations also introduce an exemption allowing trustees to be reimbursed for overpaid PPL superannuation contributions that the Commissioner has, or will, recover under the PPL scheme.

The Regulations also amend the *Corporations Regulations 2001* to require superannuation funds (excluding self-managed superannuation funds) and retirement savings account holders to include PPL superannuation contributions in members' periodic statements. They will also consequently remove the requirement for trustees to confirm with members each time a PPL superannuation contribution is paid into their account.

The Regulations commenced on 13 June 2025.

Monthly Tax Update

June 2025

Other Updates

Productivity Commission seeks consultation reform areas to prioritise

The Productivity Commission is seeking public input on potential 15 priority reform areas, including corporate tax reform aimed at supporting business investment, as part of its inquiry titled *"Creating a Dynamic and Resilient Economy."*

In its release, the Productivity Commission inquiry focuses on two main policy areas:

- Supporting business investment through corporate tax reform, including how changes to the corporate tax system can encourage innovation, productivity, and growth.
- Reducing the impact of regulation, including reviewing how new and existing regulations affect business dynamism and exploring options to streamline and harmonise regulation across jurisdictions.

The Productivity Commission has identified the corporate tax system as a key factor influencing business investment and innovation. Its inquiry will explore options to enhance business investment and productivity growth through reforms to Australia's corporate tax framework.

The review will also consider the principles of fiscal neutrality and how any proposed changes align with the goals of an efficient and equitable tax system.

Each reform option will be assessed based on its potential impact on investment, productivity, company tax revenue, and overall tax revenue.

The consultation closed on 6 June 2025. Interim reports are expected to be delivered over July and August.

More information is available on the [Productivity Commission website](#).

Monthly Tax Update

June 2025

OECD Updates

BEPS 2.0: consolidated commentary on Pillar Two GloBE Rules

The OECD/G20 Inclusive Framework on BEPS has released an updated commentary on the Global Anti-Base Erosion (GloBE) Model Rules.

This consolidated version includes Agreed Administrative Guidance issued up to March 2025, offering interpretation and application assistance to both tax authorities and taxpayers.

The GloBE Rules, first commented on in March 2022, are part of the OECD's Two Pillar Solution to tackle tax challenges in the digital economy. They aim to ensure a minimum level of taxation by applying a top-up tax on profits in jurisdictions where the effective tax rate falls below the agreed minimum.

More information is available on the [OECD website](#).

OECD: common reporting standard and crypto-asset reporting framework information

The OECD has published the 2025 consolidated text of the Common Reporting Standard (CRS), incorporating amendments from its previous 2022 review. These changes expand the CRS to cover electronic money products, central bank digital currencies, and indirect crypto-asset investments via derivatives and investment vehicles. The revisions also enhance due diligence and reporting obligations, and introduce an exemption for genuine non-profit organisations.

In support of these updates, the OECD has released standardised IT formats for information exchange:

- The CRS Status Message XML Schema (Version 3) provides a standard method for tax authorities to give structured feedback on CRS data exchanges. It applies from 1 January 2027.
- The CARF Status Message XML Schema serves the same purpose for Crypto-Asset Reporting Framework exchanges, allowing authorities to report file- or record-level errors.

Each schema includes a User Guide with detailed implementation instructions.

More information is available on the [OECD website](#).

Monthly Tax Update

June 2025

ATO Rulings and Activity

ATO updated information about global and domestic minimum tax

The ATO has updated its website to highlight key features of the global and domestic minimum tax, following Royal Assent of legislation implementing the Global Anti-Base Erosion (GloBE) Rules in Australia.

The updates to the ATO website contain:

- guidance about how we'll administer potential amendments to Australian law to address inconsistencies
- an overview of the mechanics for calculating top-up tax
- additional information on how the rules apply, including in respect of specific entities
- additional information and examples about lodgment, payment and record-keeping obligations
- how Pillar Two interacts with other provisions and how it applies.

For further information, please refer to the [ATO website](#).

Additional ATO support for new small business

The ATO has launched a “ready for business” campaign aimed at helping new small businesses understand and meet their tax, superannuation, and registry obligations.

As part of this initiative, the ATO will email ABN holders with tips on topics such as ABN responsibilities, business restructures, GST registration, and employer duties.

The ATO also reminds new and prospective business owners to consider:

- Whether GST registration is required,
- Setting aside funds for PAYG withholding and superannuation (if employing others),
- Whether any “side hustle” qualifies as a business and triggers tax obligations,
- Voluntarily entering the PAYG instalment system and prepaying tax liabilities early in the business lifecycle.

This proactive support aims to promote early compliance and reduce future tax issues.

For more information visit the [ATO website](#).

Monthly Tax Update

June 2025

ATO Trust obligations checklist

The ATO has issued a checklist to help Trustees meet their trust obligations in the lead-up to the 30 June deadline for making trust resolutions.

Trustees are encouraged to take the following steps to ensure compliance with their trust obligations ahead of the 30 June deadline:

- Review the trust deed to understand how income is defined for the trust estate, and distribute income in accordance with each beneficiary's entitlement to avoid common errors.
- Identify all beneficiaries as specified in the trust deed, ensure they have provided their tax file numbers (TFNs), and notify them of their entitlements.
- Understand the requirements for trust resolutions and present entitlement by reading the trust deed carefully and making clear, timely resolutions.
- Be aware of any Family Trust Elections (FTE) or Interposed Entity Elections (IEE) that have been made. This can help reduce the risk of triggering Family Trust Distributions Tax (FTDT) liabilities. Trustees should also ensure they understand the defined family group and retain records of all elections.
- Maintain clear and accurate records to support trust administration and compliance.

For further information, please refer to the [ATO website](#).

PAYG withholding variation for bankrupt estates to continue

A new legislative instrument has been issued to extend and update the PAYG withholding rules for external administrators and trustees of bankrupt estates when paying certain pre-appointment employee entitlements.

The 2025 instrument — Taxation Administration ([Withholding Variation for Certain Payments Made by External Administrators and Trustees of Bankrupts' Estates](#)) Legislative Instrument 2025 — replaces the 2015 instrument, which was due to sunset on 1 October 2025.

Key Updates:

- The purpose remains the same: to reduce administrative burden by allowing a set PAYG withholding rate when paying employee entitlements that accrued before the administrator or trustee's appointment.
- The withholding rate has been reduced from 34.5% to 32%, reflecting the mid-point marginal tax rate effective from 1 July 2024.
- The new instrument takes effect from 1 July 2025.

The change ensures continued administrative ease while aligning the withholding rate with current tax thresholds.

Monthly Tax Update

June 2025

ATO compliance guideline on fees for personal financial advice paid from super accounts

The ATO has finalised Practical Compliance Guideline [PCG 2025/1](#), which outlines how superannuation funds—excluding and including SMSFs—can manage deductions for financial advice fees paid from member accounts and historical PAYG withholding obligations.

Key Elements of PCG 2025/1:

1. Deductibility of Financial Advice Fees – “Account-Based Method” (Part 1)
 - Applies to superannuation funds (other than SMSFs), starting from the 2019–20 income year.
 - Provides a simplified methodology to determine whether personal financial advice fees meet paragraph (d) of *table item 5 of section 295-490(1)* of the ITAA 1997.
 - Under the account-based method:
 - Fees paid from accumulation accounts are considered deductible.
 - Fees paid from retirement phase accounts are not deductible.
 - Governance expectation: Funds must maintain a documented governance framework and assurance practices for applying this methodology.
 - For SMSFs: Trustees must assess each instance of personal advice individually to determine deductibility.
2. Historical PAYG Withholding Obligations – Transitional Approach (Part 2)
 - Relevant to all superannuation funds, including SMSFs, for the 2018–19 income year and earlier.
 - Following 2024 legislation (*section 307-10(e)*), financial advice fees paid at a member's direction are excluded from being superannuation benefits from 2019–20 onwards.
 - Before this clarification:
 - Some advice fee payments may have triggered PAYG withholding obligations.
 - ATO will generally not pursue compliance action for such cases due to the time elapsed and the retrospective limitations of the legislative amendment.
 - If a voluntary disclosure reveals failure to withhold, the ATO will typically remit penalties, unless inappropriate.

This guideline was previously released as PCG 2025/D1 and is accompanied by a feedback compendium. It aims to offer certainty and practical options to funds when managing personal financial advice fee deductions and past PAYG issues.

Monthly Tax Update

June 2025

Draft compliance guideline on inbound, cross-border related party financing arrangement

The ATO has released Draft Practical Compliance Guideline **PCG 2025/D2**, outlining its provisional compliance approach for determining the amount of inbound, cross-border related party financing arrangements, following amendments to section 815-140 of the ITAA 1997 under Australia's revised thin capitalisation rules.

The draft guidance includes:

- The ATO's proposed compliance methodology,
- Key factors to consider when determining financing amounts,
- Examples and indicators of how the ATO applies these factors, and
- Expected documentation and evidence to justify the taxpayer's transfer pricing position.

In particular, the key factors that are considered relevant to arm's length financing include:

- Funding requirements,
- Group policies,
- Returns to shareholders,
- Cost of funds,
- Covenants,
- Guarantees,
- Security,
- Serviceability, and
- Leverage.

Taxpayers must maintain robust transfer pricing documentation each income year to support their positions. The ATO may request the following documentation:

- Arm's length analysis,
- Funding proposals and cost evaluations,
- Return on capital calculations,
- External correspondence (e.g., with lenders),
- Details of funding purposes and negotiations,
- Group financial policies,
- Executed legal and financial documents, and
- Proof of payments made to related parties.

Once finalized, the guideline will apply retrospectively from 1 July 2023, covering both existing and new financing arrangements.

Please refer to our more detailed analysis of the PCG 2025/D2 at the [attached](#).

Monthly Tax Update

June 2025

ATO updated its guideline on residency of foreign-incorporated companies

The ATO has updated its guideline on applying the Central Management and Control Test in section 6(1) of the ITAA 1936 to determine whether foreign-incorporated companies are to be considered Australian tax residents.

The ATO has issued an update to its Practical Compliance Guideline [PCG 2018/9](#) on June 11 in order to clarify its relevance for public companies preparing a Consolidated Entity Disclosure Statement (CEDS) in their annual financial reports. The update addresses the impact on a company's risk rating where it self-assesses as a non-resident for Australian tax purposes but has reported inconsistently as a resident in the CEDS. The changes also reflect recent amendments made by the *Treasury Laws Amendment (Fairer for Families and Farmers and Other Measures) Act 2024*.

This guideline continues to apply from its original release on 21 June 2018.

New methodology to calculate electricity costs for charging plug-in hybrid electric vehicles at home

The ATO has proposed expanding Practical Compliance Guideline [PCG 2024/2](#) to include a methodology for calculating electricity costs when charging plug-in hybrid electric vehicles (PHEVs) at an employee's or individual's home. Previously, the guideline applied only to fully electric vehicles.

According to the draft update proposed to the PCG 2024/2, the Commissioner would generally not allocate any of his compliance resources to review a taxpayer's calculation of electricity costs for charging a PHEV at a residential premises for FBT or income tax purposes, provided the methodology outlined below is followed.

1. Calculate the actual petrol costs for the FBT or income year.
2. Calculate the actual quantity of petrol purchased in the year.
3. Calculate the total petrol kilometres.
4. Calculate the total annual kilometres.
5. Calculate the total electricity kilometres.
6. Calculate the total electricity cost.
7. Calculate the total fuel expenses.

Detailed guidance on the above 7 steps is provided in paragraphs 17B to 17K of the draft update.

The Commissioner does also outline a transitional approach available for the 2024–25 FBT and income tax years:

- If odometer records are not available from the start of the year, reasonable estimates (from service records, logbooks, etc.) may be used.
- The same applies to substantiation of petrol costs, allowing estimates based on available information.

This update offers greater flexibility and clarity for taxpayers using PHEVs for work-related purposes.

Monthly Tax Update

June 2025

Draft WET determination: correcting WET errors

A draft determination ([LI 2025/D4](#)) has been issued to allow taxpayers to correct Wine Equalisation Tax (WET) or WET credit errors made in earlier tax periods, under certain conditions. This applies where the errors affect the taxpayer's net amount and is governed by the draft A New Tax System (Goods and Services Tax) (Correcting Wine Equalisation Tax Errors) Determination 2025.

Key conditions for correcting WET errors:

- The error involves wine tax or credits under the *Wine Equalisation Tax Act 1999*.
- The earlier tax period began on or after 1 July 2012.
- The correction is made within the period of review for that earlier period.
- The error is not under compliance review, unless the ATO has allowed the correction in writing.
- The error has not already been corrected in another tax period.
- Extra conditions apply to debit errors (as outlined in section 7 of the draft).
- The taxpayer must be registered for GST.

This new determination will replace the 2015 WET correction instrument and aims to simplify how eligible WET errors are managed.

The deadline for public comments on the draft was 11 June 2025.

Draft GST determination for representatives of incapacitated entities

A draft determination ([LI 2025/D5](#)) has been made that allows representatives of incapacitated entities to choose to account on a cash basis under s 29-40 of the A New Tax System (Goods and Services Tax) Act 1999.

The draft A New Tax System (Goods and Services Tax) (Choosing to Account on a Cash Basis – Representatives of Incapacitated Entities) Determination 2025 repeals and replaces the Goods and Services Tax: Choosing to Account on a Cash Basis Determination (No. 39) 2015 – Representatives of Incapacitated Entities, which is due to sunset on 1 October 2025.

It has the same substantive effect as the 2015 instrument.

The last day for comments on this draft determination was 11 June 2025.

Draft GST determination on simplified GST accounting methods

A draft legislative instrument ([LI 2025/D8](#)) has been released to permit eligible government entities that sell food in prisons or other lawful detention institutions to use a simplified accounting method. This change is intended to reduce compliance costs under GST legislation by offering easier and more straightforward methods for calculating net amounts.

Once issued, [LI 2025/D8](#) will replace the *Simplified GST Accounting Method Determination (No. 28) 2015* (the 2015 Determination), which is due to sunset on 1 October 2025. The Draft Instrument maintains the same substantive effect as the 2015 Determination.

The Draft Instrument sets out eligibility conditions for using the simplified accounting method. The government entity must be GST-registered and, through a sub-entity, sell both taxable and GST-free food at the same location within a prison or detention institution. The sub-entity's GST turnover must not exceed \$2 million, calculated as if it were a separate entity.

Monthly Tax Update

June 2025

Draft GST determination on attribution rules

On 4 June 2025, a draft legislative instrument was released to clarify GST attribution rules for copyright owners and collecting societies under the *Copyright Act 1968*. The instrument aims to prevent inappropriate application of Division 29 of the *A New Tax System (Goods and Services Tax) Act 1999* to these entities.

Once finalized, the Draft Legislative Instrument ([LI 2025/D10](#)) will replace the existing Goods and Services Tax: Particular Attribution Rules for supplies and acquisitions relating to the operation of a Collecting Society under the Copyright Act Determination (No. 34) 2015 (the 2015 Determination) which is set to expire on 1 October 2025, without changing its substantive effect.

The Draft Instrument specifically modifies attribution rules related to:

- GST payable by collecting societies to copyright owners,
- GST payable by copyright owners to third parties,
- Input tax credits on acquisitions by copyright owners.

ATO practice statements updated

The ATO has updated the following practice statements:

- [PS LA 2008/4](#) has been updated to align with current procedures for ATO staff in preparing and publishing edited versions of written binding advice. The revisions clarify that such advice will not be updated if it becomes incorrect due to legislative changes or where the ATO has prospectively revised its interpretation of the law. Additionally, the examples in Attachment B, used to guide staff in editing advice to prevent taxpayer identification—have been refreshed to ensure they remain current.
- [PS LA 2011/13](#) has been revised to include a new "More Information" section, featuring links to relevant OECD publications and other referenced practice statements.
- [PS LA 2003/8](#) which explains the threshold rule and the sampling rule taxpayers can apply to determine if their business expenses on low-cost items are to be treated as revenue expenditure

The above practice statements have also been updated to comply with ATO style and accessibility standards, and have been reviewed for technical accuracy.

Monthly Tax Update

June 2025

Class rulings issued:

- Class Ruling [CR 2025/29](#) Midway Limited – scheme of arrangement and special dividend. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/31](#) E-stralian Pty. Ltd. – use of an electric bicycle by an employee. This ruling applies from 1 April 2025 to 31 March 2030.
- Class Ruling [CR 2025/32](#) University of Melbourne – Atlantic Fellowship. This ruling applies from 1 July 2023.
- Class Ruling [CR 2025/33](#) CenITex – Early Retirement Scheme 2025. This ruling applies from 29 May 2025 to 31 December 2025.
- Class Ruling [CR 2025/34](#) Canva, Inc – scrip for scrip roll-over. The ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/35](#) Canva, Inc – scrip for scrip roll-over treatment of stock options subject to start-up concession. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/36](#) Canva, Inc – treatment of Subdivision 83A-C stock options and restricted stock units. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/37](#) Fitzroy River Corporation Ltd – return of capital. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/38](#) Northern Co-operative Meat Company Limited – conversion to company and issue of bonus shares. This ruling applies from 12 May 2025 to 30 June 2025.
- Class Ruling [CR 2025/39](#) SG Fleet Group Limited – scrip for scrip roll-over. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/40](#) De Grey Mining Ltd – scrip for scrip roll-over. This ruling applies from 1 July 2024 to 30 June 2025.

Errata for class rulings issued

The ATO has issued the following errata to correct typographical errors:

- **Erratum** to Class Ruling [CR 2025/30](#) Bravura Solutions Limited — adjustment to employee options, applicable from 9 May 2025.
- **Erratum** to Class Ruling [CR 2025/31](#) E-stralian Pty Ltd — use of an electric bicycle by an employee, applicable from 14 May 2025.

Monthly Tax Update

June 2025

Other rulings issued:

- Product Ruling [PR 2025/5](#) AgriShed Pty Ltd – AgriShed Gold Prepay agreement. This Ruling applies from 4 June 2025 to a customer specified in paragraph 4 of the ruling that enters into the scheme from 4 June 2025 until 30 June 2027.
- Product Ruling [PR 2025/6](#) W.A. Blue Gum Project 2025. This Ruling applies from 11 June 2025, the date it was published. It applies only to the specified class of entities that enter into the Project from 11 June 2025 until 30 June 2025, being the closing date for entry into the Project.

Latest Australian Tax Cases

- Residency - A taxpayer who relocated to the UK “indefinitely” but spent a significant portion of each year in Australia, where his family lived, and who claimed non-residency in both Australia and the UK on his tax returns—thereby avoiding tax in either country—has successfully challenged the Commissioner’s amended assessments and penalties, which were based on allegations of evasion. [*Kirtlan v FC of T* 2025 ATC [2025] ARTA 539, 8 May 2025.]
- Timing difference on income assessable to tax - A retired equity partner of an accounting firm challenged the inclusion of payments related to “taxation timing differences” in his assessable income after his retirement. Although he was no longer a partner, the partnership had agreed in the Partnership Retirement Deed that certain timing differences would be included in his taxable income over several years following his retirement. The taxpayer objected, arguing that he had not received any partnership distributions. However, the Tribunal upheld the decision that the income was correctly included in his assessments, emphasizing that it was derived from his prior partnership interest and applied at his direction, in accordance with the Partnership Agreement and Retirement Deed. The Tribunal also noted that the partnership’s tax treatment allowed for a deferral of tax liability, which the taxpayer misunderstood, seeking to avoid his tax obligations under the agreed terms. [*KRBM v FC of T*; [2025] ARTA 556, 13 May 2025]
- Deduction - The Federal Court has dismissed the taxpayer’s appeal and upheld the Commissioner’s cross-appeal against the Administrative Appeals Tribunal’s decision in *WCVB v FC of T* 2024 ATC; [2024] AATA 1259. The Court found that the AAT had incorrectly applied a “but for” test in assessing whether there was a sufficient nexus between the expense and the derivation of assessable income under section 8-1 of the ITAA 1997. [*Charles Apartments Pty Ltd v FC of T* 2025 ATC; [2025] FCA 461, 9 May 2025.]

Monthly Tax Update

June 2025

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