

# Monthly Tax Update

## August 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

**Bill to reduce student debts and increase the minimum repayment threshold receives assent.**

The **Universities Accord (Cutting Student Debt by 20 Per Cent) Bill 2025** was introduced to the Parliament on 23 July 2025 and has received assent as Act No 30 of 2025.

The Act contains amendments to student loan systems including HELP and others, and its key outcomes include:

- 20% one-off reduction in HELP and related student debts incurred on or before 1 June 2025.
- Increase in minimum repayment threshold to \$67,000 (from \$54,435) starting in 2025–26, indexed to wage growth.
- Introduction of a marginal repayment system from 2025–26, where repayments apply only to income above the threshold.

The Bill implements a recommendation from the Australian Universities Accord Final Report, and builds on prior government actions, such as capping loan indexation and APRA's lending policy changes for HELP debtors.

These amendments commenced on 3 August 2025.

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## Other Updates

### The Productivity Commission's interim report on creating a more dynamic and resilient Australian economy.

The Productivity Commission has released its interim report on its inquiry into creating a more dynamic and resilient Australian economy, with draft recommendations focused on reforms to corporate tax and regulatory practice. Refer [here](#).

#### Key Points from the Productivity Commission Interim Report

- Corporate Tax Reform Recommendations.
- Recommendations to reform the corporate tax system include:
  - Revamp the corporate tax system for greater efficiency by adjusting the tax mix.
  - Lower the headline company tax rate to 20% (closer to OECD average of 21%) for companies with revenue under \$1 billion. Larger companies remain at 30%.
  - Introduce a new 5% net cashflow tax, alongside the reduced company tax rate.
  - Net cashflow tax would allow immediate deduction of capital expenditure, eliminates interest deductibility, and allows losses to offset future tax liabilities.
- It is observed in the report that most companies would pay less tax; tax burden could increase for large companies not making new investments.
- The reforms aim to make capital financing and expenditure decisions more viable and attract additional foreign investment.

### The Productivity Commission's interim report on creating a more dynamic and resilient Australian economy (Continued).

#### Regulatory Reform Recommendations:

- Develop a clear agenda for regulatory reform to support good regulation and reduce unnecessary burdens.
- Apply high-level Cabinet scrutiny to regulatory proposals, similar to budget proposals.
- Appoint an independent statutory Commissioner to oversee the Office of Impact Analysis.
- Senate scrutiny committees should review the quality of impact analyses in legislation.

The final report will expand on design of tax reforms and regulatory change. Further dynamic modeling and stakeholder feedback will also inform the final report (due December 2025).

Submissions on the interim report are accepted until 15 September 2025.

For further information, please refer [here](#).

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## OECD Updates

### OECD releases new batch of transfer pricing country profiles.

The OECD has released updated transfer pricing profiles for 12 additional countries, bringing the total to 78 jurisdictions. The profiles provide details on each country's transfer pricing laws and practices, now including new sections on hard-to-value intangibles and simplified methods for baseline marketing and distribution activities, in line with the OECD's work on Amount B under the Two-Pillar Solution.

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

### OECD releases data exchange formats for global minimum tax and crypto reporting.

As part of efforts to assist tax transparency and international tax compliance, The OECD has released two XML Schemas and user guides to facilitate international information exchange under:

#### 1. Global Minimum Tax (Pillar Two):

- The GloBE Information Return (GIR) Status Message XML Schema enables receiving Competent Authorities to notify sending authorities whether GIR submissions comply with validation rules, ensuring data quality.

#### 2. Crypto-Asset Reporting Framework (CARF):

- An updated CARF XML Schema supports the automatic exchange of crypto-asset information, incorporating technical adjustments to the version approved in 2024.

Additionally, the OECD released a new set of FAQs to provide interpretative guidance on both the CARF and the updated Common Reporting Standard (CRS).

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

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## OECD Updates (Cont.)

### OECD reports on global tax reform and transparency.

The OECD has released a comprehensive tax report at the G20 Finance Ministers and Central Bank Governors meeting in South Africa, highlighting major progress in global tax cooperation, transparency, and reform.

Key developments include:

- Global minimum tax (Pillar Two): Over 55 jurisdictions have implemented or are planning to implement the 15% global minimum tax.
- Pillar One progress: Negotiations continue to reallocate profits of major multinationals to countries where their customers are located, regardless of physical presence.
- BEPS implementation: Over 58,000 tax rulings have been exchanged, and more than 1,500 tax treaties have been modified to curb tax base erosion and profit shifting.
- Tax transparency gains: Transparency efforts led to the recovery of EUR 1.9 billion in Asia and EUR 491 million in Latin America in 2024 alone.

A supplementary report notes that over 170 jurisdictions now participate in tax transparency initiatives. Since 2009, exchange of information (EOI) efforts have helped recover at least EUR 135 billion, with expansions underway to cover crypto-assets and real estate.

### Peer Review Reports (2025):

New reports on tax transparency and EOI on request were issued for:

- Oman.
- Mongolia.
- Honduras.
- Madagascar.
- Trinidad and Tobago.

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

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## ATO Rulings and Activity

### ATO draft guidance on low risk payments relating to software.

The ATO has issued draft Practical Compliance Guide [PCG 2025/D4](#) providing clarification on when it will not review software arrangements to determine whether any part of a cross-border payment made to a non-resident is a royalty subject to withholding tax.

[PCG 2025/D4](#) explains that, for software payments considered “low-risk,” the ATO will generally not review these arrangements to see if part of the cross-border payment should be treated as a royalty and subject to withholding tax. This approach aims to give certainty to taxpayers with straightforward software deals, provided they meet the low-risk criteria. The guideline should be read together with Draft Taxation Ruling [TR 2024/D1](#), which details when software payments are considered royalties.

The conclusion of draft Taxation Ruling [TR 2024/D1](#) has been postponed while awaiting the High Courts decision on the appeal from *PepsiCo Inc v FC of T 2024 ATC; [2024] FCAFC 86*. As the High Court has now delivered its judgement, it is expected the ATO will assess and, if needed, revise the draft [TR 2024/D1](#). As the decision is expected to necessitate significant change in the ATO position, further consultation will likely be conducted.

Draft Practical Compliance Guideline [PCG 2025/D4](#) is intended to apply to arrangements entered into both before and after its finalisation. The ATO is accepting comments on the draft guideline until 17 September 2025.

### ATO draft updated to private ruling guidance for Pillar 2.

The [draft updates to Taxation Ruling TR 2006/11](#) explain that the Commissioner may decline to rule on a private ruling application concerning the Australian income inclusion rule tax, undertaxed profit rule tax, and/or domestic minimum top-up tax if it is deemed unreasonable to comply with the application. These taxes are part of Australia's implementation of Pillar 2 of the OECD/G20 Two-Pillar Solution, aimed at addressing tax challenges from the digitalisation of the global economy.

Examples where the Commissioner may decline to rule include:

- Where the OECD/G20 Inclusive Framework for Base Erosion and Profit Shifting has published guidance on the matter, which the government plans to incorporate into domestic law.
- Where the matter relates to an issue identified by the Inclusive Framework as requiring guidance or for which guidance is being drafted but not yet published.
- When issuing a ruling would require the Commissioner to consider how other jurisdictions apply their respective domestic tax laws.

This ability for the Commissioner to decline to rule is provided under s 359-35(2)(c) of Sch 1 to the Taxation Administration Act 1953, as amended by the Treasury Laws Amendment (Multinational – Global and Domestic Minimum Tax) (Consequential) Act 2024. Comments on the draft ruling can be submitted until 29 August 2025.

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## ATO Rulings and Activity (Cont.)

### ATO Releases Draft Transitional Compliance Guidance for Pillar 2.

On 16 July 2025, the Australian Taxation Office (ATO) released Draft Practical Compliance Guideline **PCG 2025/D3**, outlining its transitional compliance approach to lodgment obligations and penalties under Australia's implementation of the 15% global and domestic minimum tax, aligned with the OECD's Pillar 2 GloBE Rules.

#### Key Points:

Who is affected:

- Multinational enterprise (MNE) groups with annual consolidated revenue  $\geq$  EUR750 million in at least 2 of the 4 years before the tested year.

Four Lodgement Obligations:

- The GloBE Information Return (GIR).
- The Foreign Notification Form (FNF).
- The Australian IIR/UTPR tax return (AIUTR).
- The Australian DMT tax return (DMTR).

Transitional period:

- Applies to fiscal years starting on or before 31 Dec 2026 and ending on or before 30 June 2028.

"Soft-landing" approach:

- The ATO will provide penalty relief for MNEs that can show they have acted in good faith and take reasonable steps to comply.

Examples of reasonable steps include:

- Timely lodgement.
- Maintaining records and internal policies.
- Engaging early with the ATO.
- Proactively correcting errors.

Guidance includes:

- Lodgment details for the GloBE Information Return and the Combined Global and Domestic Minimum Tax Return.
- Remission of penalties and suspension of enforcement for overdue lodgements if reasonable compliance efforts are shown.
- Examples of penalty outcomes based on taxpayer behaviour.

Consultation deadline:

- Comments on the draft are open until 29 August 2025.

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## ATO Rulings and Activity (Cont.)

### ATO updated ruling on CGT event K6.

The ATO has issued an [Addendum to Taxation Ruling TR 2004/18](#), clarifying the application of CGT event K6 under section 104-230 of the ITAA 1997, which deals with the taxation of pre-CGT shares and trust interests.

Key changes include confirmation that only one capital gain arises when both conditions in subsection 104-230(2)(a) and (b) are met, and clarification on what property is considered when calculating a capital gain under subsection 104-230(6). The addendum updates the explanation of the 75% test and the concept of reasonable attribution, and it revises the two-step calculation approach to align with the ATO's current position. Updated examples and diagrams have also been included to illustrate various applications of CGT event K6.

This guidance is particularly relevant to taxpayers disposing of pre-CGT shares or trust interests in entities that hold post-CGT property, either directly or via subsidiaries. The addendum applies retrospectively and prospectively, but taxpayers can rely on either the original or amended ruling for periods before its issue.

### Practice statement on Commissioner's discretion under s 109RB refreshed.

The ATO has updated its guidance on the Commissioner's discretion under section 109RB of Division 7A of the ITAA 1936, which allows deemed dividends to be disregarded or franked.

Changes to Practice Statement [PS LA 2011/29](#) reflect the transition from the Administrative Appeals Tribunal to the Administrative Review Tribunal (effective October 2024), clarify internal ATO processes for discretion, and ensure the statement is technically accurate and aligned with current ATO style and accessibility standards.

### ATO guidance on using GST analytical tool.

The ATO has released a guide for using the GST analytical tool to reconcile between financial statements and business activity statements.

This Guide is designed to support the effective use of the GST analytical tool, which employs a spreadsheet-based reconciliation process to clarify discrepancies between accounting records and GST figures. By examining these differences, entities address a foundational element of justified trust, helping to ensure greater assurance that the correct amount of GST is being reported and paid. The supplementary annual GST return asks whether such reconciliation has been completed and requires disclosure of its findings.

For further information, please refer [here](#).

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## ATO Rulings and Activity (Cont.)

### ATO guidance on GST and container deposit scheme refunds.

On 16 July 2025, the ATO released guidance on how GST applies to refunds received by material recovery facility (MRF) operators under container deposit schemes. These operators, who recycle materials from homes and businesses, may be liable for GST if they provide something of value—such as recycling eligible containers—in exchange for the refund, which constitutes a taxable supply.

The ATO notes that some MRF operators have incorrectly claimed GST refunds assuming no GST is payable. Such operators are advised to consult the ATO through early engagement discussions and review rules regarding GST refund restrictions.

For further information, please refer [here](#).

### ATO releases updated GST rulings on cross-border supplies.

The ATO has issued two new GST rulings—[GSTR 2025/1](#) and [GSTR 2025/2](#)—to reflect legislative changes made by the *Tax and Superannuation Laws Amendment (2016 Measures No. 1) Act 2016* concerning cross-border supplies. These rulings replace and update [GSTR 2005/6](#) and [GSTR 2007/2](#), which were withdrawn on 23 July 2025.

While the ATO's view remains unchanged, the new rulings incorporate past amendments—particularly changes to the “connected with Australia” rules—and improve clarity by simplifying structure, reducing examples, and removing duplicated content.

### ATO issues final GST guidance on food marketed as a prepared meal.

The ATO has issued GST Determination [GSTD 2025/1](#), finalising its guidance on the GST treatment of food marketed as prepared meals, with a focus on salad products. This determination replaces Draft [GSTD 2024/D3](#) and responds to the Federal Court's decision in *Simplot Australia Pty Ltd v FC of T* [2023] FCA 1115, which addressed GST classification issues for various frozen food items.

Under section 38-3(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999*, and particularly item 4 of the table in clause 1 of Schedule 1, food that is marketed as a prepared meal is not GST-free. [GSTD 2025/1](#) provides further clarity on what constitutes such food.

The ruling retains the ATO's position from the draft version but expands practical guidance for taxpayers, particularly in determining whether salad and similar products fall within the scope of taxable prepared meals. The determination aims to enhance compliance certainty and aligns with recent judicial interpretation.



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## ATO Rulings and Activity (Cont.)

### Taxpayer alert against improper GST refund arrangements.

The ATO has issued Taxpayer Alert [TA 2025/2](#) warning against artificial and contrived arrangements aimed at fraudulently claiming GST refunds.

These schemes often involve false invoicing, inflated or non-existent transactions, and misuse of related-party arrangements to claim GST credits without genuine acquisitions.

Features include:

- Non-arm's length dealings.
- Mismatched GST accounting methods.
- Multiple entities claiming credits for the same purchase.

The ATO views such arrangements as tax fraud and urges affected taxpayers to come forward voluntarily, noting that penalties may be reduced through disclosure.

### Class rulings issued:

- Class Ruling [CR 2025/47](#) CU Health Pty Limited – exempt benefits relating to medical screenings, preventative health care and counselling of employees. This ruling applies from 1 April 2025 to 31 March 2030.
- Class Ruling [CR 2025/48](#) Paralympics Australia – medal payments. This ruling applies from 1 July 2024 to 30 June 2028.
- Class Ruling [CR 2025/49](#) James Hardie Industries plc – New York Stock Exchange full listing and change in depository arrangement. This ruling applies from 1 July 2025 to 30 June 2026.
- Class Ruling [CR 2025/50](#) Totium Pty Ltd – health services provided to employees via The Exec Check program. This ruling applies from 1 April 2025 to 31 March 2029.
- Class Ruling [CR 2025/51](#) Amani Gold Limited – return of capital. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/52](#) Greatland Gold Plc – scrip for scrip roll-over. This ruling applies from 1 July 2024 to 30 June 2025.
- Class Ruling [CR 2025/53](#) 92 Energy Limited – scrip for scrip roll-over for shareholders. The ruling applies to eligible shareholders from 1 July 2023 to 30 June 2024.

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## Other rulings issued:

- Product Ruling [PR 2025/9](#) Utmost International Isle of Man Limited – Executive Investment Account. This ruling applies from 1 July 2025 to specified entities.
- Addendum to Class Ruling [CR 2025/16](#) The Trustee for Protect Severance Scheme No 2 – workers in receipt of severance payments.

## Latest Australian Tax Cases

- Deductions - The Administrative Review Tribunal (ART) ruled that the key individuals behind a family trust operating an approved child care service failed to prove the trust's actual income or substantiate its deductions. The taxpayers' main argument—that parents had contracted directly with educators, making the fees income of the educators—was rejected. Their inability to produce business records or call witnesses undermined their case and did not refute serious allegations of artificial care arrangements and widespread breaches of family assistance laws. [*BHMH & Ors v FC of T 2025 ATC* [2025] ARTA 996, 27 June 2025]
- Assessments - The Administrative Review Tribunal (ART) rejected a poker player's claim that unexplained bank deposits were from poker winnings and loan repayments. The ART upheld the tax office's default income assessments and penalties, finding the player failed to prove the source of the funds or accurately report his income for the relevant years. [*Tran v FC of T 2025 ATC* [2025] ARTA 1036, 17 July 2025]
- Assessments - The Administrative Review Tribunal (ART) rejected claims by two taxpayers that they held assets as bare trustees for a discretionary trust and that unexplained deposits were reimbursements or loan repayments from related entities. The ART found the evidence pointed instead to an employment or contractual relationship, and the taxpayers failed to prove the payments were not ordinary or personal services income. [*SBXB & Anor v FC of T 2025 ATC* [2025] ARTA 999, 10 July 2025]
- Income recognition - A retired construction worker has failed in his attempt to exclude interest income from his 2022 tax return. The Administrative Review Tribunal (ART) ruled that the interest was not derived until it was actually received in 2022, rejecting the taxpayer's claim that it had been constructively received in earlier years when it was merely credited or allocated. [*Bennetts v FC of T 2025 ATC* [2025] ARTA 1092, 22 July 2025]
- Deductions - The Federal Court upheld tax assessments against four taxpayers controlled by Mr. Vanda Gould, disallowing deductions for interest, management fees, carried forward losses, capital losses, and deemed dividends from 2001 to 2014. The Commissioner argued that Mr. Gould manipulated fund movements between entities for tax purposes. The court found Mr. Gould's evidence unreliable and ruled the taxpayers failed to prove the assessments were excessive. [*South Seas Holdings Pty Ltd ATF VR Gould Family Settlement Share Trust & Ors v FC of T 2025 ATC* ; [2025] FCA 848, 25 July 2025]
- Assessments - The Administrative Review Tribunal (ART) denied a taxpayer's request for relief from a tax liability arising from a capital gain on the sale of her home. The taxpayer had transferred the sale proceeds into her superannuation instead of using them to pay the tax debt. The ART found that this did not constitute "serious hardship" since she could access those super funds to settle the liability. [*Alexander v*

*FC of T 2025 ATC [2025] ARTA 1163, 30 July 2025]*

- Tax Agent Registration - The Tax Practitioners Board rejected the registration application of a prospective tax agent, citing concerns over the adequacy of his experience while contracting for an online tax agency. Upon review, the Administrative Review Tribunal upheld the Board's decision, agreeing that the experience did not meet the required standards for registration. [*Dennis v Tax Practitioners Board 2025 ATC [2025] ARTA 1001, 30 April 2025]*

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