PwC's Monthly Tax Update

Keeping you up to date on the latest Australian and international tax developments

April 2025

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Corporate Tax Update

ATO priorities for large and multinational businesses

The Australian Taxation Office (ATO) has published an article by Deputy Commissioner, Fiona Knight, who has, among other matters, highlighted various tax avoidance risks that the ATO will be scrutinising across the large and multinational public business sector in 2025. This has included:

- arrangements that appear to be designed to avoid the inclusion of capital gains in the assessable income of Australian resident entities when they dispose of their assets – such arrangements are also described within Taxpayer Alert TA 2020/4
- issues involving intellectual property and intangibles, including whether appropriate royalties are being paid, and income generated in Australia is being appropriately taxed, and
- the need, following an increase in private equity investments, for the ATO to understand very complex and opaque offshore structures and covering all private equity participants (firms, funds, target entities and investors) at different stages of the private equity lifecycle (pre-acquisition, acquisition, holding, pre-exit and exit).

By the end of 2025, the ATO will have also engaged with the Top 100 public businesses about moving to real-time engagement. The ATO will be encouraging the Top 100 to make pre-lodgement disclosures to enable early engagement on significant matters in real time.

Reportable Tax Position 2025 instructions

The ATO has released the instructions for completing a Reportable Tax Position (RTP) Schedule for 2025. Apart from a few minor changes to the Category C Questions relevant to 2024, there are two new Category C questions in the 2025 RTP Schedule:

- Question 46: application of certain aspects of the 'liable entity' and 'hybrid payer' definitions to your arrangements (Taxation Determination TD 2024/4).
- Question 47: restructure(s) in response to the debt deduction creation rules (DDCR).

Latest from ATO in response to UPE Division 7A case

In response to last month's Full Federal Court's decision in Commissioner of Taxation v Bendel [2025] FCAFC 15, the ATO has confirmed that it has filed an application to seek special leave to appeal to the High Court. By way of recap, the Full Federal Court found that an unpaid present entitlement (UPE) arising from a trust's distribution to a private company was not a loan for the purposes of the deemed dividend rules (Division 7A). The Court's decision is contrary to the position taken by the ATO and many private groups over many years. For further details on the Full Federal Court's decision, refer to our Tax Alert.

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In addition, the ATO has issued an interim decision impact statement in which it indicates that until the appeal process is finalised it does not intend to revise its current views relating to private company entitlements to trust income, as set out in Taxation Determination TD 2022/11. From an administrative perspective, until the Bendel appeal process is finalised, where a decision turns on whether a UPE is a Division 7A loan, the ATO does not propose to seek to finalise:

- decisions on issuing amending assessments
- decisions on private ruling applications that go directly to this issue, or
- objection decisions in relation to objections to past-year assessments (for which no settlement was reached).

However, where a decision is required to be made (for example, because the period of review will elapse or a taxpayer gives notice requiring the Commissioner to make an objection decision), the ATO's decisions will be based on the existing ATO view of the law.

The ATO has also indicated in the interim decision statement that in addition to the application of section 109D (loans treated as dividends) of the *Income Tax Assessment Act 1936* (ITAA 1936), the basis on which private company beneficiaries deal with unpaid entitlements to trust income may have implications under other taxation laws, such as section 100A (present entitlement arising from reimbursement agreement) of the ITAA 1936.

Regarding section 100A, the ATO notes that a commonly referred to exception to this provision applying is the arrangement being entered into as part of ordinary commercial dealing and refers to its Practical Compliance Guideline PCG 2022/2 which sets out the ATO's compliance approach.

In the Practical Compliance Guideline, the ATO has indicated that where a corporate beneficiary is made entitled to income from a related trust, and the trustee retains those funds by way of a loan on 'commercial terms' for working capital, the ATO will not typically seek to apply compliance resources to consider the application of section 100A, and that for these purposes, it accepts that loans on Division 7A complying terms are sufficiently commercial. However, in cases where the trustee retains funds to which a corporate beneficiary has been made entitled without converting that entitlement to a loan at least as commercial as the terms set out in Division 7A, the ATO may engage with the taxpayer to better understand the arrangement, including the risk of section 100A applying.

Division 7A and repayments involving notional loans

The ATO has issued draft Taxation Determination TD 2025/D2, which sets out the ATO's view on the application of section 109R of the ITAA 1936 which operates to disregard certain payments which might otherwise be taken into account in determining whether a loan has been repaid in whole or in part, or a minimum yearly repayment has been made for purposes of the deemed dividend rules in Division 7A.

The ATO's draft view is that:

- Section 109R can apply to disregard certain loan repayments made to a private company where the repaying entity is taken to have obtained a loan from the company by operation of the interposed entity rules (in sections 109T and 109W of the ITAA 1936). Example 1 in the draft determination considers this position.
- Section 109R can apply to disregard certain repayments when determining how much (if any) of a notional loan made by a private company under sections 109T and 109W of the ITAA 1936 has been notionally repaid. Example 2 considers this position.

Alternatively, the draft determination notes that the ATO may also consider the application of Part IVA of the ITAA 1936 to arrangements whereby loans from a private company are refinanced for the purposes of obtaining a tax benefit.

The draft determination also sets out alternative views that the deeming in sections 109T and 109W can be taken into account for the purposes of section 109R and that section 109R cannot apply in respect of repayments of a notional loan. The Commissioner does not accept either of those views.

When the final Determination is issued, it is proposed to apply both before and after its date of issue. Comments can be made on the draft determination by 17 April 2025.

Debunking Division 7A myths

In further Division 7A developments, the ATO has released new content around debunking common Division 7A myths. The ATO sees the following common situations in which Division 7A can apply to deem a loan or payment by a private company to a shareholder (or their associate) be an assessable dividend:

- not recognising that a company's money is not a shareholder's money, and that such funds cannot be accessed for personal use without tax consequences
- loans being made without complying loan agreements, and
- applying the wrong benchmark interest rate when calculating Division 7A loan repayments

Next R&D transparency report to issue later this year

The ATO has given advance notice that it will publish its next research and development (R&D) tax incentive transparency report in September 2025. The previous report was published in October 2024 and included data from the 2021-22 income year.

The September 2025 report will cover R&D claims made in 2022-23, as well as the 2021-22 claims data that was not included in last year's report. The following data from tax returns and R&D tax incentive applications for those years will feature:

- the name of the company claiming the R&D tax incentive
- the company's Australian business number (ABN) or Australian company number (ACN), and
- the total amount the company claimed on R&D.

CGT rollover relief applied to restructure

In AusNet Services Limited v Commissioner of Taxation [2025] FCAFC 21, the majority of the Full Federal Court has dismissed the taxpayer's appeal finding that the taxpayer had made a valid capital gains tax (CGT) rollover election under Division 615 of the ITAA 1997.

The case concerned the restructure of a stapled group involving two corporate entities (each one the head company of a tax consolidated group) and one trust. Following a series of schemes of arrangement, in June 2015 the taxpayer acquired all of the shares in the two corporates and all the units in the trust. The former holders of the stapled securities became shareholders of the taxpayer. Relevant to this appeal, one of the corporate entities became a subsidiary member of a tax consolidated group, with the taxpayer as the head company.

The taxpayer argued that Division 615 did not apply to the scheme of arrangement, with the consequence that it could not have made a valid rollover election under that Division and so was entitled to an increase in the cost bases of the assets of the acquired corporate entity's tax consolidated group.

The Court noted that it was clear from the structure of section 615-5(1) that 'its affairs' as referenced in paragraph (c) of that subsection was a reference to the affairs of the original entity, and that the relevant scheme was capable of being the subject of an election under section 615-5 if it was a scheme for reorganising the original entity's affairs. The scheme plainly 'reorganised' the 'affairs' in the sense of transforming an entity from a widely held corporation into a wholly owned subsidiary of the taxpayer (whose shareholders were the former shareholders).

The Court also found that the requirement under Division 615 for the disposal of shares to be 'in exchange for shares in the interposed company (and nothing else)' was satisfied. The scheme expressly identified the entitlement to receive shares as the (only) consideration for the transfer of the shares and that any boost to the value of pre-existing shares was a consequence flowing from the augmentation of asset value as a result of the shareholders disposing of their shares to the taxpayer company in exchange for it issuing shares in it.

Similarly, the Court concluded that the ratio requirements within section 615-20 were satisfied having regard to the legislative history and purpose. That is, the shares referred to in section 615-20(2)(a)(i) should be understood to be a subset of the shares referred to in sub-paragraph (ii) such that both the numerator and the denominator should be understood to be referring to shares issued pursuant to the scheme.

No contingency or financial arrangement

In Tabcorp Maxgaming Holdings Limited v Commissioner of Taxation [2025] FCA 115, the Federal Court has dismissed the taxpayer's appeal, finding that it did not have a 'financial arrangement' within the meaning of section 230-45 of the ITAA 1997 in relation to an asserted contingent right said to arise under a contract and accordingly, the taxpayer was not entitled to a deduction for a loss arising when that arrangement ceased.

The taxpayer asserted that it had a 'financial arrangement' - described as a 'contingent right to a terminal payment' - which came into existence on the expiry of its gaming operator's licence and which subsisted for a period of six months. Then, having received nothing when its 'financial arrangement' ceased in the year ended 30 June 2013, the taxpayer claimed that it had made a loss being the amount of 'financial benefits' it had provided under the arrangement.

The Court found that there was no 'financial arrangement' within the meaning of the law at any relevant time. The taxpayer's right to compensation depended on the continued existence of the duopoly that had been in place prior to the 2009 gaming industry reforms, and events had demonstrated that there was no possibility that the duopoly would be maintained or that a new gaming operator's licence would issue. There, was, accordingly, no contingency, and no prospect of a 'terminal payment'. Had it been necessary to decide, the Court would have also concluded that s230-460(8) which applies to certain rights or obligations under a guarantee or indemnity applied to exclude the whole of the loss claimed.

Director ID extension applications

It is an offence to not have a director identification number (director ID) when required. However, the law enables the Registrar to extend the time for an eligible officer to apply for their director ID.

The ATO has published Practice Statement Law Administration PS LA 2025/1, which sets out director ID obligations, the time by which a person must have a director ID, and information about extensions of time to apply for a director ID.

Broadly, the ATO expects that a request for an extension of time to apply should be made in writing before a person applies for their director ID. An extension of time to apply for a director ID may be granted by the ATO where it is reasonable to do so, taking into account all relevant circumstances. PS LA 2025/1 is effective from 28 February 2025.

Employment Taxes Update

Compliance support in response to Cyclone Alfred

Revenue NSW is offering assistance where an employer has been impacted by Cyclone Alfred and is having difficulties managing payments and obligations with Revenue NSW. The range of options available may include: arranging payment plans, putting debts on short term hold, and assisting with hardship applications. Similarly, the Queensland Revenue Office has offered assistance to individuals and businesses experiencing financial hardship following Cyclone Alfred. Support options include payment plans, deferrals, and other measures to alleviate the burden of tax and royalty obligations.

Uncertainty over meaning of 'commercial parking station' for FBT purposes

On 6 February 2025, the Federal Court handed down his decision in Toowoomba Regional Council v Commissioner of Taxation [2025] FCA 161 and held that a shopping centre parking facility nearby was not a commercial parking station as defined in the fringe benefits tax (FBT) law.

This was on the basis that the Court did not consider the car park was operated on a 'commercial' basis, with a view of making a profit, despite it being operated to complement the commercial operation of the adjacent shopping centre.

In considering whether the car park was commercial - a term which the Court considered to have some ambiguity about it in the context of how it is used within the test in question - regard was given to the Explanatory Memorandum to the relevant law to elucidate its context and meaning.

Having found that the meaning of commercial for this purpose involved an intention to make a profit, and applying the constrained facts before it, the Court concluded the car park was not 'commercial'. Key facts cited included the first three hours of parking were free (with escalating rates for each hour up to seven hours, and a higher flat rate thereafter), the abundance of free parking available in the surrounding area and the much lower car parking rates charged at nearby car parks. It was observed that the purpose of the car park was to compliment the shopping centre (which was run in a commercial manner), rather than to run a profitable car park.

Notably, the Commissioner has lodged an appeal to this decision. Furthermore, at this time, the Commissioner of Taxation's view on the definition of 'commercial parking station' which is set out in Taxation Ruling TR 2021/2, which is not consistent with the findings of the Court, remains unchanged.

Changes to record keeping requirements for 2025 FBT returns

Starting from 1 April 2024 (and applicable to the 2025 FBT return), employers have the opportunity to streamline their record-keeping processes by relying on existing corporate records in place of traditional travel diaries and declarations for certain fringe benefits. This flexibility allows employers to choose between the current approved forms and records as specified within the FBT law, and seeking to rely upon existing business records.

The Australian Taxation Office (ATO) has issued FBT legislative instruments identifying the specific circumstances where alternate records will be accepted as an alternative to employee declarations. A summary is contained on the ATO website.

Employers opting to use an alternative record option must ensure that the information contained in the record(s) is accurate, comprehensive, and meets the specific requirements outlined in the relevant legislative instruments. The ATO has provided examples and guidance on what constitutes adequate alternative records, which can be found in the explanatory statements accompanying each determination.

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Payday Super: Exposure draft for Payday super and related measures

Treasury has released exposure draft legislation and explanatory materials addressing the Payday Super regime which was announced in the 2023-24 Federal Budget. The draft legislation substantially rewrites the superannuation guarantee (SG) framework, including overhauling the SG Charge (SGC) that arises when an underpayment or late payment of SG occurs.

The SG reforms have been designed in a manner which is likely to pose a significant level of change for employers, with a likely impact for a multitude of stakeholders across various departments (e.g. payroll, tax/finance, treasury).

Notably, the draft law does not appear to exclude individuals deemed to be employees for SG purposes for reasons other than common law employment (e.g. contractors engaged wholly or principally for their labour).

The key themes of the draft law include:

- *Rewriting of the SG framework*: The draft law comprehensively overhauls the SG framework. This includes changing how the SG charge is calculated, including the SG shortfall, the interest calculated and choice loading. In addition, contributions must be received by a fund within seven days of the 'qualifying earnings' day (i.e. pay day), with limited exceptions.
- *Stronger incentives and penalties for compliance and correction*: The draft law strengthens the incentives and penalties for employers to comply with their SG obligations and to correct any errors as soon as possible. For example, the draft bill introduces an 'administrative uplift amount' of up to 60% of the SG shortfall, which is added to the SGC. The draft bill also limits the penalty relief for employers who have a history of non-compliance (i.e. have received an ATO initiated review within the last two years) but excludes any non-compliance before 1 July 2026 from this assessment.
- *A new annual cap for SG contributions*: The draft bill replaces the current quarterly cap on SG contributions, which is not aligned with the concessional contributions cap, with a new annual cap that is equal to the concessional contributions cap.
- *Updated tax treatment*: Amendments are proposed amendments to the income tax law to allow a deduction for both on-time and late contributions, as well as the SGC. Currently, only on-time contributions are deductible. Any applicable general interest charges or late payment penalty related to SGC will not be tax deductible.

Consultation on the draft law closes on 11 April 2025 and subject to the consultation process and the finalisation of the draft law, these measures are intended to take effect from 1 July 2026.

For further insight, refer to our Alert.

Employee vs independent contractor status for SG extended definition

The recent decision of the Federal Court in Commissioner of Taxation v Hatfield Plumbing Pty Ltd (Trustee) [2025] FCA 182 highlighted the complexity associated with assessing whether a contractor is an employee for the purposes of section 12(3) of the *Superannuation Guarantee (Administration) Act 1992* (SGAA). In that case, the Commissioner of Taxation appealed the earlier decision of the Administrative Appeals Tribunal (AAT) which held that a contracted plumber was not engaged wholly or principally for their labour, and therefore, was not entitled to SG under section 12(3) of the SGAA.

The contractor was engaged to complete specific tasks but was remunerated at an hourly rate, due to inherent uncertainty in how long each job would take. In addition, the work was generally performed by the contractor personally. The Commissioner of Taxation had initially assessed the taxpayer as being liable to SG on payments to the contractor.

The Court concluded that the contract was 'for' a result, rather than 'for' labour. This was notwithstanding the fact the individual was remunerated at an hourly rate, which the court observed as a 'neutral' factor in the analysis.

The Court endorsed the approach taken by the AAT, which was to have regard to certain factors often associated with the common law employment assessment, such as, control, emphasising that a holistic assessment of what the contract is 'for' requires one to apply an approach in line with that taken by the AAT.

The Commissioner of Taxation has since lodged an appeal against this decision.

PAYG withholding variation for bankrupt estates

A draft legislative instrument has been issued by the ATO which, when finalised, will vary the amount an external administrator or a trustee of a bankrupt estate must withhold under the pay as you go (PAYG) withholding system for certain payments made to employees of the entity over which they are appointed. This instrument will repeal and replace the 2015 instrument (*PAYG Withholding Variation: Variation of amount to be withheld from certain payments made by external administrators and trustees of bankrupt estates*) which would otherwise sunset on 1 October 2025. The new instrument will have the same effect as the 2015 instrument, with the exception of the withholding rate, which has been changed from 34.5% to 32%.

International Tax and Trade Update

Update on international tax guidance expected from ATO

In the latest update by the Australian Taxation Office (ATO) to its list of proposed advice and guidance on international tax issues under development (dated 10 March 2025), the following is worth noting:

- In relation to Australia's Pillar Two global and domestic minimum tax, the ATO plans to issue as a priority, guidance on:
- relation to Australia's Pillar Two global and domestic minimum tax, the ATO plans to issue as a priority, guidance on:
  - Pillar Two lodgement obligations and the ATO's transitional approach
  - the ability to seek private rulings and the new decline to rule provision for Pillar Two, and
  - other technical and administrative aspects of ATO's implementation of Pillar Two including when, how and who the Pillar Two rules apply to, lodging, paying and other obligations for Pillar Two and Pillar Two interactions with Australian domestic tax laws.
- The Draft Practical Compliance Guideline dealing with the ATO's compliance approach in relation to royalty withholding tax and software arrangements is expected to be issued mid-2025.
- A Draft Law Administration Practice Statement to outline the Commissioner's approach to public country by country (CBC) reporting exemptions is expected to be issued mid-2025

ATO's report on international related party dealings

The ATO has published its international related party dealings statistics 2022-23 which provides key statistics sourced from processed International Dealings Schedules (IDS) and Local file – Part A (LFPA) lodgements for the 2022-23 and earlier income years. The findings include information such as total revenue and expenditures by jurisdiction, and average balances of inbound and outbound loans.

Changes to excise for alcohol

The Government has announced that it will increase the annual excise remission cap to $400,000 (up from $350,000) for all eligible alcohol manufacturers and increase the Wine Equalisation Tax (WET) producer rebate to $400,000. The proposal is to apply from 1 July 2026. In addition to the tax relief, the Australian Trade and Investment Commission (Austrade) will be providing Australian distillers, brewers and wine producers with additional support to help them grow their exports in high priority overseas markets.

Separately, the Government has also announced plans to freeze indexation on draught beer for two years from the next indexation date of August 2025, with consultation to take place prior to implementation. If elected at the next Federal election, the Coalition would also freeze indexation on draught beer excise for two years.

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New excise and customs rates

Excise duty rates on tobacco goods increase in March and September each year to reflect changes in indexation. The revised rates of excise and customs duties for particular tobacco products that increase from 1 March 2025 are detailed in:

- Notice of Substituted Rates of Excise Duty Notice No. 2 (2025), and
- Notice of Substituted Rates of Customs Duty for Excise-Equivalent Goods Notice (No. 2) 2025.

Similarly, various rates of excise and customs duties for particular alcohol-related goods also increased with effect from 3 February 2025, as detailed in:

- Notice of Substituted Rates of Excise Duty Notice No. 1 (2025), and
- Notice of Substituted Rates of Customs Duty for Excise-Equivalent Goods Notice (No. 1) 2025.

OECD's latest MAP peer review results

The Organisation for Economic Co-operation and Development (OECD) has released the latest Base Erosion Profit Shifting (BEPS) Action 14 Mutual Agreement Procedure (MAP) peer review results.

This March 2025 release includes 10 new peer review reports under the simplified peer review process for the following jurisdictions (Stage 1, Batch 3): Benin, Burkina Faso, Dominica, Grenada, Iceland, Montenegro, Peru, Saint Lucia, Samoa and Senegal. The results from this batch that are part of the simplified peer review process are that these jurisdictions either have or are eager to put in place a policy framework for MAP as well as a well-functioning MAP program and are willing to take the necessary measures to achieve the efficient, effective and timely resolution of disputes.

The OECD will continue to publish peer review reports under Stage 1 of the simplified review process and Cycle 1 of the full peer review process in batches in accordance with the Action 14 peer review assessment schedule. Australia's full peer review is scheduled for launch in November 2025.

US response to discriminatory or extraterritorial tax regimes

The United States is considering various approaches to respond to foreign countries that are considered to impose discriminatory or extraterritorial taxes against US citizens or corporations. Based on recent Executive Orders, these taxes could include various digital services taxes (DSTs) and taxes under the Pillar Two OECD global tax agreement, such as the under taxed profits rule (UTPR). Given the timeline for these investigations and the possibility of further Presidential action consistent with these Executive Orders, taxpayers should be considering any potential adverse effects. Read more from PwC US and PwC's Global Tax Policy Alert.

Reform of Australia's export control regime

Reforms have been made to significantly strengthen Australia's existing export control framework to establish a robust protective security regime and also promote co-operation, collaboration and innovation between Australia, the United Kingdom and the United States as part of the commitment by all three countries to build a seamless industrial base between 'AUKUS' partners. For more information, read our outline of Australia's export control reforms related to the *Defence Trade Controls Amendment Act 2024* and how businesses can adapt to the changes.

New Free Trade Area Regulations

The Government has released a legislative instrument, the Customs Legislation Amendment (ASEAN-Australia-New Zealand Free Trade Area Second Protocol Implementation and Other Measures) Regulations 2025, which implements the customs obligations arising from the *Customs Amendment (ASEAN-Australia-New Zealand Free Trade Area Second Protocol Implementation and Other Measures) Act 2024*, which was enacted on 10 December 2024.

For customs obligations arising under the Second Protocol which amends the Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), the Regulations implement:

- new record keeping obligations on exporters and producers that export goods to a Party to the AANZFTA and who make a claim that the goods exported are originating goods in accordance with the agreement
- a new approved exporter scheme to allow approved exporters to complete the Declarations of Origin in order to allow importers in other Parties to claim preferential rates of customs duty, and
- various changes to the Rules of Origin

For customs obligations arising under the Regional Comprehensive Economic Partnership (RCEP) Agreement, the Regulations implement::

- a new approved exporter scheme to allow approved exporters to complete Declarations of Origin in order to allow importers in other Parties to claim preferential rates of customs duty, and
- changes to the existing record keeping obligations on exporter and producers that export goods under the RCEP Agreement to ensure the record-keeping obligations of approved exporters are implemented.

Indirect Tax Update

GST-free treatment extended for NDIS supplies

A new legislative instrument – the A New Tax System (Goods and Services Tax) (GST-free Supply-National Disability Insurance Scheme Supports) Amendment (Application Period) Determination 2025 – amends the *New Tax System (Goods and Services Tax) (GST-free Supply-National Disability Insurance Scheme Supports) Determination 2021* which specifies the kinds of supplies to a participant of the National Disability Insurance Scheme (NDIS) that are GST-free, to extend the effect of the application period to 30 June 2027.

Extending the application period of the Determination will ensure NDIS participants can continue to access GST-free NDIS supports beyond 30 June 2025 through to 30 June 2027.

Note that if a supply of disability support made to a participant is not GST-free according to the Determination under s38-38 of the *A New Tax System (Goods and Services Tax) Act 1999*, it may still be GST-free under another section of the GST Act, for example, under the GST-free health related sections in Subdivision 38-B.

Non-compliant small businesses to move to monthly GST reporting

The Australian Taxation Office (ATO) has announced that from 1 April 2025, approximately 3,500 small businesses with a history of non-payment, late or non-lodgement, or incorrect reporting will be moved from quarterly to monthly GST reporting to improve their compliance.

The ATO will contact small businesses and their tax professionals when their GST reporting cycle is changed from quarterly to monthly, with a review process also available for those small businesses who believe they should remain on their current GST reporting cycle.

Changes to reporting cycles will remain in place for a minimum of 12 months as part of the ATO's 'Getting it right' campaign.

Update to GST Ruling dealing with improvements on land

The ATO has issued an Addendum to Goods and Services Tax Ruling GSTR 2006/6, which considers the application of the GST law to improvements on land, to reflect the Full Federal Court's decision in Commissioner of Taxation v Landcom [2022] FCAFC 204. The Full Federal Court held that the margin scheme provisions apply separately to each freehold interest in land, even if several freehold interests are supplied as a single parcel of land. The Addendum makes clear that that each freehold land title is to be considered separately and that the same approach applies to stratum units and long-term leases. The Addendum applies both before and after its date of issue.

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Personal Tax Update

Taxpayer working overseas found to be tax resident

In Quy and Commissioner of Taxation (Taxation and business) [2025] ARTA 174, the Administrative Review Tribunal (ART) has considered a case that had been remitted to the Tribunal by the Federal Court (Quy v Commissioner of Taxation (No 3) [2024] FCA 726), finding that the taxpayer was indeed a resident of Australia for tax purposes.

The taxpayer who was an Australian citizen accepted an internal assignment with his employer to Dubai. While in Dubai, the taxpayer resided in accommodation that was paid for, in most parts, by his employer. His wife and children remained in the family home in Perth while he worked in Dubai.

The ART determined that the taxpayer was not a resident of Australia under the 'ordinary concepts' test. However, as a person whose domicile was in Australia, the ART was not satisfied that the taxpayer's 'permanent place of abode' was outside Australia in any of the relevant years, meaning that he was found to be a resident of Australia under the domicile test.

Taxpayer's position was genuinely redundant

In Baya Casal v Deputy Commissioner of Taxation [2025] FCA 87, the Federal Court has allowed the taxpayer's appeal, finding that a payment made to the taxpayer was to be treated as a genuine redundancy payment under section 83-175(1) of the Income Tax Assessment Act 1997.

The taxpayer had received a payment from her employer on termination of her employment as an early learning centre assistant. This followed a restructure of the school's Early Learning Centre, and advice from the school that the taxpayer would be eligible to move to a new role as a redeployment or that she could take a redundancy. The taxpayer chose not to accept the new role, which would have had reduced hours and changed working days, and her position was terminated.

The Commissioner argued that as long as the employee is performing the same tasks – even if on different days, at different times, for fewer hours, and for less pay – the 'position' is the same. The Federal Court rejected the Commissioner's position that so long as the employee is performing the same tasks, the new 'position' is the same as that held before the restructuring. Specifically, the Court considered that the concepts of 'duties' and 'responsibilities' were wide enough to incorporate days and hours of work. A position involving a material reduction in hours and in remuneration, and with working days changed, was not an appropriate alternative to the pre-restructure position. Accordingly, the taxpayer's employment position was genuinely redundant.

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Part IVA and ESIC schemes

The Australian Taxation Office (ATO) has issued draft taxation determination TD 2025/D1 to provide draft guidance on the Commissioner's view on whether the general anti-avoidance provisions in Part IVA of the Income Tax Assessment Act 1936 applies to early stage innovation company (ESIC) schemes as described in Taxpayer Alert TA 2024/1.

While the application of Part IVA to any particular arrangement depends on a careful weighing of all the relevant circumstances, draft TD 2025/D1 confirms that Part IVA is likely to apply to arrangements similar to that described in TA 2024/1. This conclusion is reached having regard to the matters set out in subsection 177D(2), where there are several aspects of the arrangements described in TA 2024/1 that point to a conclusion of there being a dominant purpose of obtaining a tax benefit.

When the final determination is issued, it is proposed to apply both before and after its date of issue. Comments on TD 2025/D1 closed 28 March 2025.

Updated ruling to cover CGT exceptions for granny flat arrangements

The ATO has issued an Addendum to Taxation Ruling TR 2006/14, which considers the capital gains tax (CGT) consequences of creating life and remainder interests in property and of later events affecting those interests, to include exceptions to CGT events for granny flat arrangements. According to the Addendum, the creation, variance or termination of an eligible granny flat arrangement will be exempt from any CGT events (in accordance with Division 137 of the Income Tax Assessment Act 1997), such that all references in the ruling to CGT event D1 (creating contractual or other rights) should be considered with regard to Division 137.

The Addendum applies from 12 March 2025.

Proposed income tax return lodgement requirements for parents liable for child support

The ATO has issued draft legislative instrument Income Tax Assessment (Requirement for Parents Liable for or Entitled to Child Support to Lodge a Return for the 2025 Year) Instrument 2025, which requires certain parents liable for or entitled to child support to lodge an income tax return for the 2025 income year. .

HELP repayment thresholds and rates for 2025-26

The repayment incomes and repayment rates for the Higher Education Loan Program (HELP) for the 2025-26 income year have been released. The minimum repayment income for the 2025-26 income year is $56,156 and starts at 1%. For full rates and thresholds, refer to the Gazette Notice.

State Tax Update

State and Territory 2025-26 Budgets

The currently known dates for the 2025-26 State and Territory Budgets are as follows:

- **Victoria**: Tuesday, 6 May 2025
- **Western Australia**: TBA by incoming government
- **Northern Territory**: Tuesday, 13 May 2025
- **Tasmania**: Thursday, 29 May 2025
- **South Australia**: Thursday, 5 June 2025
- **New South Wales**: Tuesday, 24 June 2025 (to be confirmed)
- **Queensland**: Tuesday, 24 June 2025
- **Australian Capital Territory**: Tuesday, 24 June 2025

NSW: Duties - Water pipeline an interest in land

In Conexa Sydney Holdings Pty Ltd v Chief Commissioner of State Revenue [2025] NSWCA 20, the New South Wales (NSW) Court of Appeal has dismissed the taxpayer's appeal, finding that its interest in a water pipeline was an interest in land for the purposes of the Duties Act 1997 (NSW) (Duties Act). Alternatively, the Court would find the taxpayer's interest in the pipeline and associated infrastructure was an interest in goods. Accordingly, it found that the taxpayer's purchase of the shares was a 'relevant acquisition', and therefore a dutiable transaction.

The taxpayer had acquired 100% of the shares in a company in September 2019, to which the Chief Commissioner of State Revenue subsequently assessed landholder duty under the Duties Act. The critical issue in the appeal was whether, at the date of the assessment, a water carrying pipeline owned and constructed by the acquired company which was buried in the ground for its entire length was 'land' or 'goods' for the purposes of section 155 of the Duties Act.

In its decision, the Court of Appeal noted that there was no dispute that the pipeline with associated infrastructure was affixed to the land and would, ordinarily, be regarded as a fixture and form part of land. The character of the pipeline as part of the land was not affected by the fact that the pipeline was owned by an entity other than the proprietor of the surrounding land. The Court found that a statutory right to exclusive possession of a stratum of land occupied by a pipeline may create an interest in that stratum of the land for the purpose of the Duties Act. Furthermore, the context of the Water Industry Competition Act 2006 (NSW) (WIC Act) supports the conclusion that it conferred a statutory interest in land.

The text, context and purpose all supported the Court's conclusion that the interest of the owner of the pipeline conferred by section 64 of the WIC Act was an interest in the stratum of land occupied by the pipeline. Contrary to the taxpayer's submissions, it was not a 'novel property right' that existed outside the reach of section 155 of the Duties Act. The rights conferred by section 64 of the WIC Act permit the transfer of ownership of the pipeline and are effective in preventing any affectation of the rights to occupy the stratum on the land where the pipeline has been laid. The WIC Act grants the appellant the rights to control, exploit, use or enjoy, and alienate that pipeline in the stratum on the land where the pipeline has been laid. On its correct construction, the Court concluded that an 'interest' in land under the Duties Act was found to include the rights conferred by section 64 of the WIC Act.

Despite the above finding, the Court addressed in the alternative, the issue of whether the pipeline is 'goods' within the meaning of the Duties Act. Having regard to case law, the Court concluded that there was nothing in the text, context or purpose of the Duties Act indicating that permanent infrastructure of the present kind was intended to be excluded from the duties base and accordingly that (for this and other reasons) if the pipeline was not 'land' it would be 'goods' for the purposes of the Duties Act.

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NSW: Practice Notes on mineral royalties

Revenue NSW has issued the following Commissioner's Practice Notes (CPNs) in respect of mineral royalties:

- CPN 032 outlines the various types of royalties payable in New South Wales (NSW), including the applicable rates, lodgement frequency and due dates. It also explains how the Taxation Administration Act 1996 (NSW) applies to mineral royalties and the consequences of non-compliance, and informs holders of mining leases about the additional support options that are available.
- CPN 033 provides guidance to coal leaseholders on how to accurately prepare their returns when they recover coal and blend it with coal acquired from other leases.
- CPN 034 provides guidance to holders of mineral leases on the Commissioner's interpretation of the meaning of 'arm's length' and how these principles apply to valuing coal in NSW.

The above CPNs are effective from February 2025.

NSW: Surcharge land tax assessments upheld

In Hixson Pty Limited v Chief Commissioner of State Revenue [2025] NSWSC 192, the NSW Supreme Court dismissed the taxpayer's appeal, finding that it was a foreign person within the meaning of section 5A of the Land Tax Act 1956 (NSW), and as such was subject to surcharge land tax.

In this appeal, surcharge land tax was assessed to the taxpayer on the basis that it was a foreign person at the relevant time for the relevant years. The reason the taxpayer was considered to be a foreign person was that it was ultimately owned by the trustees of a discretionary testamentary trust which had at least one non-resident general beneficiary at each relevant date. The taxpayer objected, relying on clause 66(4), Schedule 2 of the Land Tax Management Act 1956 (NSW).

In the NSW Supreme Court's view, both the language of clause 66(4) and its immediate statutory context made it clear that it was intended to modify the way in which section 5D of Land Tax Act 1956 operates in relation to the trustee of a testamentary trust. In each of the circumstances described in paras (a) and (b) of clause 66(4), the trustee of a testamentary trust is taken not to be a foreign person, despite the fact that section 5D would otherwise have deemed them to be so. It was not intended to and does not affect the question of whether a person other than a trustee of a testamentary trust is taken to be a foreign person. In this case, the owner of the land was not the trustee, but the taxpayer company which was indirectly owned by the trustee through another company. Clause 66(4) did not operate either in relation to trustees or anyone else by altering the meaning of the expression 'foreign person' in the Land Tax Act or Land Tax Management Act, except in so far as it deems a trustee of a testamentary trust to *not* be a foreign person.

QLD: Updated revenue rulings

On 3 March 2025, the Queensland Revenue Office issued the following updated Public Rulings and Practice Direction Updates dealing with Queensland (QLD) duties in the context of home acquisitions:

- Public Ruling DA085.1.11: Duty concession for homes and first homes – occupancy requirements
- Public Ruling DA000.18.4: Duty concessions for homes and AFAD exemption for specified foreign retirees – disposal and partial renting between 10 September and 5 December 2024
- Public Ruling DA000.20.3: Duty concessions for homes – disposal and partial renting on or after 6 December 2024
- Practice Direction DA000.1.5: Reassessment of transfer duty – home concessions – where not all taxpayers comply with the conditions.

Victoria: Updated guidance on economic entitlements

The State Revenue Office of Victoria (SRO Victoria) has recently updated its website to help taxpayers understand the legislation surrounding the economic entitlement provisions of the Duties Act 2000 (Vic) and how to pay any resulting duty liability.

An economic entitlement entitles a person to any one or more of the following, provided the relevant land has an unencumbered value of more than $1m:

- participate in the income, rents or profits derived from the land
- participate in the capital growth of the land
- participate in the proceeds of sale of the land
- receive any amount determined by reference to any of the above matters, or
- acquire any entitlement described above.

Where a taxpayer acquires an economic entitlement and a duty liability arises, the acquisition must be lodged with SRO Victoria for a duty assessment and the duty liability paid. To avoid penalty tax and interest, the duty must be paid within 30 days of the acquisition of the economic entitlement.

Victoria: Land tax correctly assessed on aggregated value

In Malcolm v Commissioner of State Revenue (Review and Regulation) [2025] VCAT 218, the Victorian Civil and Administrative Tribunal (VCAT) has upheld the Commissioner's assessments to Victorian land tax on taxpayers holding land jointly.

The taxpayers contended that they had been over-taxed, arguing that section 38 of the Land Tax Act 2005 (Vic) required the Commissioner to issue separate land tax assessments in respect of *each* property they owned jointly. This was relevant because land tax is imposed progressively on the value of land held. If separate assessments had been issued in respect of the jointly owned properties, the total land tax payable would have been less than what was assessed by the Commissioner.

According to the VCAT, the legislation clearly requires that joint owners of multiple properties are to be assessed on their aggregated landholdings rather than separately in respect of each piece of land they jointly own, which was in line with the Commissioner's interpretation.

While the Tribunal did acknowledge that this meant the taxpayers paid more tax than if they had, for example, held one of the properties each (rather than jointly), it was beyond the role of the Tribunal to give effect to some different policy which a taxpayer contends is preferable to the one reflected in the legislation that Parliament has enacted.

ACT: Short-term accommodation levy

The Short-Term Rental Accommodation Levy Bill 2025 was introduced into the Australian Capital Territory (ACT) Parliament on 20 March 2025 and proposes to impose a levy on booking service providers who make, arrange or facilitate short-term rental accommodation bookings in the ACT for a period of less than 28 days. The levy will be imposed at the initial rate of 5% of the total consideration for the short-term rental accommodation booking and will apply to bookings made from 1 July 2025.

Superannuation Update

Payday Super – exposure draft law

On 14 March 2025, Treasury released exposure draft law in respect of the proposed 'Payday Super' regime, which is to commence on 1 July 2026. Payday Super seeks to align the timing of the payment of superannuation to the payment of salary or wages by employers. For further information, refer to the Employment Taxes update.

ATO highlights from the SMSF Association conference

The Australian Taxation Office's (ATO) Deputy Commissioner, Emma Rosenzweig, Superannuation and Employer Obligations, gave an address at the SMSF Association National Conference, to discuss regulatory issues and updates.

Among other matters, the speech highlighted that between 96% and 97% of self-managed funds (SMSF) each year do not have any contraventions under the *Superannuation Industry (Supervision) Act 1993* (SIS Act) reported by their auditor, demonstrating a strong level of compliance within the industry. On average, the most common contraventions are in relation to:

- administration (such as market valuations)
- illegal early access, including access via a loan
- in-house assets, and
- the sole purpose test.

Other highlights include, among others, the following:

- the non-lodgement of self-managed super fund annual returns continues to be a concern.
- as well as illegal early access, the ATO has also noted worrying levels of breaches of conditions of release through loans to members.
- identity fraud and scams continue to rise in the SMSF sector, and
- the consequences where trustees do not action release authorities.

Mention was also given to the proposed commencement of Payday Super. SMSFs will need to be prepared to receive contribution payments and data for their members more frequently and faster than at present and will need to remain compliant with their SuperStream obligations.

General transfer balance cap to increase

With effect from 1 July 2025, the general transfer balance cap will increase from $1,900,000 to $2,000,000 as a result of indexation. The defined benefit income cap will also increase to $125,000 (from $118,750) for the 2025-26 income year.

Draft law to improving access to affordable and quality financial advice

Draft legislation that aims to implement the next tranche of the Government's financial advice reforms was released for consultation. The draft law, among other things, proposes the following:

- There will be clear rules on what advice topics can be collectively charged for via superannuation.
- Superannuation funds will be allowed to provide targeted prompts to members to drive greater engagement with superannuation at key life stages.

Consultation on the draft law closes on 2 May 2025.

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Legislative Update

Federal Parliament resumed sittings on 25 March 2025, which was also the date on which the Government handed down the 2025-26 Federal Budget. Refer to PwC's comprehensive Budget analysis for all key tax measures reported in the Budget.

Since our last update, the following tax Bill to give effect to key personal tax initiatives announced in the 2025-26 Federal Budget was introduced and completed its passage in Parliament:

- The Treasury Laws Amendment (More Cost of Living Relief) Bill 2025, which was introduced into the House of Representatives on 26 March 2025 and subsequently completed its passage through both Houses, reduce the 16% personal income tax rate that applies to Australian resident taxpayers to 15% for the 2026-27 income year and to 14% for the 2027-28 income year and later income years, and increases the Medicare levy low-income thresholds for the 2024-25 income year and later income years.

Since our last update, the following tax Bill has completed its passage through Parliament:

- Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024, which makes amendments to the application of the luxury car tax rules, denies deductions for the general interest charge (GIC) and shortfall interest charge (SIC) and extends the period within which the Commissioner must notify a taxpayer of the decision to retain a refund amount arising from a Business Activity Statement (BAS). The Bill also included Government amendments to extend the $20,000 instant asset write-off for small business until 30 June 2025.

The following Commonwealth revenue measures were registered as a legislative instrument since our last update:

- The A New Tax System (Goods and Services Tax) (GST-free Supply-National Disability Insurance Scheme Supports) Amendment (Application Period) Determination 2025, effective 13 March 2025, which extends the effect of the A New Tax System (Goods and Services Tax) (GST-free Supply-National Disability Insurance Scheme Supports) Determination 2021 by another two years until 30 June 2027.
- The Taxation Administration (Community Charity) Guidelines 2025, effective 25 February 2025, which sets out the guidelines that community charities must follow to obtain and maintain deductible gift recipient (DGR) endorsement.
- The Taxation Administration (Defence Related International Obligations and Other Matters – Indirect Tax Refunds) Determination 2025, which provides for the Commissioner of Taxation to refund the amount of Goods and Services Tax, wine tax, or luxury car tax paid in respect of certain acquisitions made by the visiting force of Timor-Leste, or the civilian component of a visiting force of Timor-Leste, Japan, the governments of the Independent State of Papua New Guinea, the Republic of Singapore, and the United States of America engaged in defence-related activities.

The following key superannuation Bills were before Parliament at the time that the Parliament was prorogued with the calling of the Federal election:

- the Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023 and the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023 that propose to impose a tax of 15% on certain earnings of a superannuation fund to those individuals who have total superannuation balances in excess of $3m.

When Parliament is prorogued all Bills that are before Parliament lapse and will need to be reintroduced by the newly formed Government if the measure accords with their policy.

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Other News Update

2025-26 Federal Budget

Treasurer Jim Chalmers delivered the Australian 2025-26 Federal Budget on Tuesday, 25 March 2025. Refer to PwC's comprehensive Budget analysis for all key tax and superannuation measures reported in the Budget.

Draft legislative instrument for lodging 2025 returns

The Australian Taxation Office (ATO) has issued draft legislative instrument Taxation Laws (Requirement to Lodge a Return for the 2025 Year) Instrument 2025, which specifies which persons are required to lodge an income tax return for the 2025 income year, and when a return must be lodged in the approved form. The instrument also deals with other lodgement requirements for:

- franking account returns
- venture capital deficit tax returns
- not-for-profit (NFP) self-review returns
- ancillary fund returns, and
- trustees of self-managed superannuation funds.

Comments closed 26 March 2025.

ATO focus on MIT restructures

The ATO has issued Taxpayer Alert TA 2025/1 to highlight its concern with arrangements that restructure an existing trust or other inward investment structure to inappropriately access the managed investment trusts (MIT) withholding regime (including deemed capital gains tax (CGT) treatment), including where the restructure is connected with the disposal of trust property or assets held by entities controlled by the trust.

Typically, these arrangements have the following features:

- An Australian entity holds passive assets, but does not meet the requirements to access the MIT withholding tax regime, for example, because:
  - it is not a trust
  - it is a unit trust directly owned by a single unitholder (and therefore does not meet the requirements of being a managed investment scheme), or
  - the management of the trust does not satisfy the requirements of section 275-35 of the Income Tax Assessment Act 1997 (ITAA 1997).
- Restructure steps are undertaken to seek to satisfy the requirements to access the MIT withholding tax regime.
- The restructure steps are done for the purpose of accessing the MIT withholding regime

The ATO is concerned that these arrangements may present a risk that either the Australian trust does not satisfy the substantive requirement to be a MIT, or the general anti-avoidance provisions (Part IVA) apply where there is no commercial rationale for the steps taken to qualify that trust as a withholding MIT. The arrangements may also be accompanied by other features such as the use of multiple rollovers or introduction of related party debt.

The ATO indicates that it is also aware that there are existing MITs that were established for the making of new inbound investments into Australia (as opposed to a restructure) that are indirectly owned by a single foreign entity covered by subsection 275-20(4) of the ITAA 1997 where the potential application of Part IVA may also be a relevant consideration. However, the ATO states that it will not apply its compliance resources to these structures if they were established prior to 7 March 2025, unless there is material new investment or ownership change.

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Amendments to MIT regime

Separate to the ATO's Taxpayer Alert as mentioned above in respect of MITs, the Government has announced that the income tax law will be amended to ensure that genuine investors can continue to access concessional MIT withholding tax rates while strengthening guidelines to prevent misuse.

The amendments are expected to maintain current industry practice and understanding of the operation of the MIT pooling requirements under Division 275 of the ITAA 1997 and remove ambiguity around the use of MITs.

The amendments will also make clear that trusts ultimately owned by a single widely-held investor (e.g. a foreign pension fund) are able to access the MIT concessions. However, the proposed amendments will not affect the ATO's power to take action using Part IVA where 'captive MITs' involve other characteristics of the kind set out in the Taxpayer Alert.

Foreign investment framework guidance updated

The Treasury has issued a summary statement to confirm that its guidance material on foreign investment into Australia has been updated following recent changes to the foreign investment framework. The updated guidance material now including information about:

- the ban on foreign purchases of established dwellings (announced by the Treasurer and Minister for Housing on 16 February 2025)
- foreign investment in new and established Build to Rent developments
- partial refunds of application fees for unsuccessful proposals in competitive bid processes, and
- tax arrangements that will attract greater scrutiny in the foreign investment assessment process

Board of Taxation's report on digital assets and transactions

The Government has released the Board of Taxation's report on the tax treatment of digital assets and transactions in Australia. This report was released at the same time as the Government issued its Statement on Developing an Innovative Australian Digital Asset Industry aimed to provide clarity and certainty to the digital assets sector.

The Board reached four broad conclusions in its report:

1. The taxation of crypto assets and transactions can generally be accommodated by Australia's current taxation law.
2. New legislation to deal with the taxation of crypto asset transactions should not be introduced at this time.
3. At the present time, any uncertainties about how the taxation law applies to crypto assets and transactions are best managed administratively by taxpayers and the ATO working co-operatively within the current law.
4. In some areas, taxpayers require more comprehensive information and guidance (including examples and case studies) from the ATO upon which they can rely to ensure that their tax disclosures will be acceptable to the ATO.

In its response to the report, the Government agreed that no specific tax legislation for digital assets and transactions should be introduced at the current time and it agrees in principle with using the principles framework developed by the Board as a broad guide for assessing the suitability of any potential amendments to the tax laws in relation to digital assets and transactions. It also notes that Decentralised Autonomous Organisations (DAOs), Decentralised Finance (DeFi), Gaming Finance (GameFi), and Non-Fungible Tokens (NFTs) are four areas that may benefit from further consideration as the market develops.

The ATO has agreed to form a bespoke and time-limited crypto working group which will consult with the industry and tax professionals to develop a package of publicly available crypto tax advice.

ATO focus areas for small businesses

The ATO has announced its new focus areas for small business which currently include:

- contractors omitting income, with a focus on data matching to ensure all income is reported
- quarterly to monthly Business Activity Statement reporting for goods and services tax (GST) purposes, and
- small business boost measures.

The ATO will also continue its focus on non-commercial business losses, small business capital gains tax concessions, business income not being personal income, GST registration and the income of taxi, limousine, and ride-sourcing services.

CGT active asset test failed

In VSVS and Commissioner of Taxation (Taxation and Business) [2024] ARTA 249, the Administrative Review Tribunal (ART) found that the taxpayer's interest in two properties was not an active asset, with the result that concessional CGT treatment was unavailable in respect of capital gains arising on the divestment of the properties.

The taxpayer is a third-generation primary producer who runs a beef cattle business in partnership with his wife on properties adjacent to the dairy farm that his parents owned. Following his father's death in 2007, the taxpayer acquired legal interests (held as a tenant in common with other interest holders) in the two properties on which that dairy farm was operated.

After considering the evidence and facts, the ART found that the taxpayer had not held his interest in the properties 'ready for use in carrying on' his cattle business for the requisite period of time (being for at least half of the period he held the asset). From 2007 to 2014 the taxpayer never used the properties in his business, nor held the interest in them ready for use. He either permitted others to use the properties or used his interest to secure access to other properties which he did use in his business. While his attitude and intentions may have changed in 2014, the properties were sold in 2016, with the result that the asset was disposed before the requisite period for holding an asset ready for use had been met.

ATO has partly effective arrangements to support AI adoption

The Australian National Audit Office (ANAO) has released its performance audit report into the governance of artificial intelligence (AI) at the Australian Taxation Office, finding that the ATO has partly effective arrangements in place to support the adoption of AI, including arrangements for governance, design, development and deployment; and monitoring, evaluation and reporting.

AI is used in different contexts by the ATO, including to analyse data to assess non-compliance risks, assist with the drafting of communications and help with visualisations.

The ATO has welcomed the released of the ANAO report, having agreed in full to all seven recommendations made in the report and stating that it will continue to enhance its AI frameworks. The ATO also stated, among other matters, that it will continue to implement and build on the recommendations identified to help the ATO evolve and remain current in the face of rapidly advancing AI capability and ensure that it leverages AI in a safe way to create a better tax system.

Audit report into management of complaints by ATO

The ANAO has released its performance audit report into the Management of Complaints by the Australian Taxation Office.

The report notes that the volume of complaints received by the ATO has nearly doubled between 2020-21 and 2023-24, with income tax, superannuation, and client records generally the three most common complaints.

While the ANAO report found the ATO's management of complaints to be largely effective, effectiveness would be improved if the ATO's analysis of its complaints data also sought to identify the underlying causes of complaints and used this information to improve business processes and complaint handling. The report also noted that the ATO has developed largely effective arrangements to handle complaints, and that it has largely effective monitoring, reporting, and process improvements.

The Auditor-General made recommendations with which the ATO agreed, including to better document conversations with complainants, conduct root cause analysis, enhance public reporting, and improve implementation of recommendations from the IGTO.

Community charity guidelines for determining DGR status

The ATO has issued the Taxation Administration (Community Charity) Guidelines 2025 that set out rules that community charity trusts and their trustees, and community charity corporations and their directors, must comply with if such charities are to be (or remain) endorsed as deductible gift recipients (DGRs). The guidelines also specify the amounts, or the method for working out the amounts, of related administrative penalties. The guidelines are mandatory and are effective from 25 February 2025.

Editorial

PwC's Monthly Tax Update is produced by the PwC's Tax and Legal Marketing and Communications team, with technical oversight provided by PwC's Tax Markets & Knowledge team.

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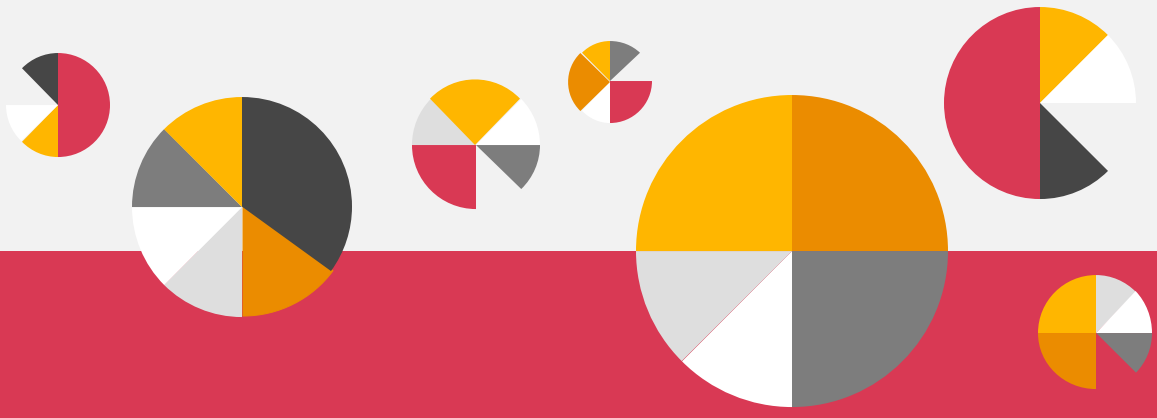

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