Newsletter
DECEMBER 2025

ATO Interest Charges Are No Longer Deductible – What You Can Do

Leaving debts outstanding with the ATO is now more expensive for many taxpayers.

As we explained in the July edition of our newsletter, general interest charge (GIC) and shortfall interest charge (SIC) imposed by the ATO is no longer tax-deductible from 1 July 2025. This applies regardless of whether the underlying tax debt relates to past or future income years.

With GIC currently at 11.17%, this is now one of the most expensive forms of finance in the market — and unlike in the past, you won't get a deduction to offset the cost. For many taxpayers, this makes relying on an ATO payment plan a costly strategy.

The ATO has taken a much tougher stance on payment plans and remission of interest and penalties with the result being unless there are outstanding circumstances it will be a no. The wait times are also getting increasingly long with up to 2 hours on the phone during peak times. If you want Parker Crofts and Co to implement payment plans or request remissions we will need to charge for these services as it's no longer a 10 minute exercise so please make sure the amounts are material or contact the ATO yourself.

Cyber Security

Cyber security is becoming more of an everyday concern to small business where having up to date virus software and strong passwords 2 step authentication are all minimal requirements. Clients should also look at Insurance. A recent example has come up where a client had emails intercepted and banking details changed on invoices so in effect, they paid the criminals and this is not an isolated case so beware phishing scams, unrecognised email addresses and emails that just don't look correct.

So, for example when paying our invoice if the bank account details on what we send you don't match your historical payments please contact our office for confirmation as we have not changed our bank account details for many years.

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Super Tax Shake-Up: Big Balances Beware

If your super balance is comfortably below $3 million, you can probably relax — the proposed changes to the super rules shouldn't adversely affect you (yet). But if your super is nudging that level, or if you're clearly over, the Treasurer's latest announcement could change how you think about super's generous tax breaks.

For some time now the Government has been planning to introduce targeted measures to reduce tax concessions for those with superannuation balances over $3 million. This has commonly been referred to as the Division 296 tax.

However, the Government has reworked the proposed new tax — part of the Better Targeted Superannuation Concessions (BTSC) policy — attempting to make it simpler, fairer, and more practical. After a wave of industry criticism, the revised version keeps the broad policy intent (reducing tax concessions for very large balances) but removes some of the more problematic features.

Let's break down what's changed and what it means for you.

What's Changing — and Why It's Simpler

The original 2023 proposal aimed to apply an extra 15% tax on "earnings" from super balances above $3 million. The big flaw? "Earnings" included unrealised gains — paper profits on assets like property or shares that hadn't been sold. This meant some people could have owed tax on increases in value they hadn't actually received in cash.

The reworked model drops unrealised gains from the equation entirely, taxing only realised earnings — actual income and capital gains when assets are sold. This makes the system far more practical and aligned with everyday tax rules. No more worrying about funding a tax bill on assets you haven't sold.

A Fairer, Tiered Approach

The new rules introduce a two-tier system for high balances:

- Tier 1 ($3m–$10m): Extra 15% tax on earnings from this portion (making a total rate of 30%).
- Tier 2 (over $10m): Extra 25% tax on earnings above $10m (for a total rate of 40%).

Both thresholds will be indexed annually to inflation ($150,000 steps for the $3m tier and $500,000 for the $10m tier), which should prevent "bracket creep" over time.

Importantly, the start date has been pushed back to 1 July 2026, with the first assessments expected in 2027–28.

The Government estimates less than 0.5% of Australians will be affected at the $3m level, and fewer than 0.1% at the $10m mark.