Murray Business Solutions

BUYING A NEW HOME? MAKE SURE YOU KNOW THE TAX INS AND OUTS

About this newsletter

Welcome to the **Murray Business Solutions** client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

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With house prices falling in some major capital cities, you may be looking to buy a home – either as a first home buyer or otherwise.

continued overleaf ⇨

In this case, there are a few important Capital Gains Tax (CGT) matters to take into consideration.

Firstly, there is the rule that a home will only qualify for the full CGT main residence exemption if it was your home throughout your "ownership period" – essentially, being from settlement date on purchase to settlement date on sale.

However, there is an important concession to help you here.

If it somehow proves "impracticable" to move in at settlement, then the full exemption will still apply if you move in as soon as it is "reasonable" or "practicable" to do so.

But a word of warning here: this concession applies narrowly.

It does not apply where it is "inconvenient" to move in as soon as possible after settlement. It must be a "compelling" reason – and this does not include, for example, where the purchased property is still being leased to a tenant.

And note that when this concession was introduced, the government stated that it would only cover the case of "serious illness" and similar such matters.

Secondly, if you already own a home and you end up purchasing your new home before selling your old one, then there is a concession that allows you to treat both of the homes as your "CGT exempt home" for up to a 6 month overlap period.

However, there are important conditions that must be met for this concession to apply – including that your existing home must have been your main residence for at least 3 months in the 12 months before you end up selling it.

These conditions can be quite "tricky" to apply, and will depend on your exact circumstances.

Thirdly, if for whatever reason, you decide to rent the new home first before you make it your home there are several important things to bear in mind.

For a start, you will lose the CGT exemption on your home on a proportionate basis to the extent you rent it first up. (But if you rent it after making it your home on a "bona-fide" basis then there is another concession that allows you to keep the exemption in this case).

Importantly, if you bought the property after 12 May 2026 and you rent it out after 30 June 2027, negative gearing is not available. However, this is subject to an exception if you bought a "new residential dwelling".

Finally, if you are liable for any CGT on your home because you have only a "partial CGT exemption", then regardless of when you bought the property, any capital gain that relates to the period after 1 July 2027 will generally be subject to the new "indexation" calculation rules. And this generally does not give you as big an advantage as the former 50% discount.

So, if you are thinking of buying a new home – or a first one – it is worth making an appointment with us to discuss these matters.

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COLLECTABLES – DON'T GET CAUGHT OUT!

Capital gains tax does not just apply to "big ticket" items such as real estate, farms and shareholdings. It also applies to a special class of assets known as "personal use assets", and in particular, those personal use assets known as "collectables".

"Collectables" are specifically defined under the tax law to mean the following items that are "used or kept mainly for your personal use or enjoyment":

- artwork, jewellery, an antique, or a coin or medallion; or
- a rare folio, manuscript or book; or
- a postage stamp or first day cover.

But for an asset to be a collectable, it must have cost more than $500. Otherwise, any collectable acquired for $500 or less is exempt from being a collectable (but subject to important rules to prevent abuse of this threshold test).

And the most important rule about a collectable is that if you make a capital loss on selling or disposing of a collectable, that capital loss can only be offset against capital gains from other collectables. It cannot be offset against the capital gain from, say, shares or real estate, and nor can it be offset against your other income. That is, the loss is "quarantined".

Also note that jewellery you inherit from, say, your mother will retain its "character" as a collectable. So, bear this in mind also.

As for "personal use assets" per se (ie assets used for personal use or enjoyment which are not "collectables" – such as furniture, clothing, pianos etc) they are only subject to CGT if they cost more than $10,000. And importantly, you cannot claim a capital loss made on a personal use asset.

It should also be understood that a person who owns "collectables" can do so for the purpose of trading in them. In this case, the CGT rules take a backseat to the fact that the profit from such activities is assessable in the same way as if you were operating a business.

Finally, the recent 2026 Budget CGT reforms will apply to collectables as well. This will mean that you will need to determine their market value as at 30 June 2027 (or use the new apportionment method) for the purpose of applying the CGT discount up to any gain then. Thereafter the "indexation" approach will apply.

However, there are apparently plenty more changes in the pipeline – and we may yet see some form of exception for collectables.

In any event, it is still important to be aware of what assets are "collectables" and how the CGT rules generally apply to them.

So, if you find yourself dealing with such items – especially if they are valuable - it is necessary to get good tax advice on the matter. Make an appointment to see us at any time.

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THE "WIDOW TAX" AND JOINTLY OWNED PROPERTY

There has been a lot of talk in the media about the government's new "widow tax" following the Budget brought down earlier in the year.

By way of background the Budget saw the abolition of negative gearing for properties acquired after the Budget night (ie 12 May 2026). So, if you acquired a rental property after that date you won't be able to negatively gear it (albeit you will still be able to negatively gear it up to 30 June 2027 – but thereafter you won't be able to).

However, often properties are acquired in joint-names (as opposed to tenants-in-common).

What this means is that on the death of one of the joint owners, their joint interest in the land automatically passes at the time of the person's death to the other joint tenant under the rule of "survivorship". It cannot be bequeathed or passed to another person.

(This, apparently, is a longstanding English land law principle that has something to do with doing away with the complexities of conveying land under the "old land law title" system.)

From a negative gearing point of view, it means that a person may "unwittingly" acquire a rental property after 12 May 2026 (that is, specifically a 50% interest in it) - and therefore be denied negative gearing when, in effect, the property was acquired before that date.

It also means that a person may be in the odd position of being able to negatively gear one-half of the property but not the other half of the property.

This is what is meant by the "widow tax" in the media.

However, the government has now remedied this problem by amending the tax law to exclude an interest in property acquired under the "rule of survivorship" from the new negative gearing prohibition. (Likewise, for the same reasons, it has done the same for properties acquired after 12 May 2026 under CGT roll-over relief for relationship or marriage breakdown.)

This matter also raises the general issue of the CGT treatment of jointly owned property – and, in particular, where one joint owner dies and the other party ends up owning both interests in the property.

The starting point in all this is that each joint interest in a property is a separate asset for CGT purposes. So that when for example, a jointly owned property is sold, each joint owner returns their particular share of the capital gain (or loss) in their own tax return.

However, the issue becomes a bit trickier when one joint owner dies. Basically, in this case the surviving joint owner owns two different interests in the land – each with their own "CGT characteristics" of a specific "cost" and a specific "time of acquisition".

The matter can get more complicated when the "survivor" bequeaths such a property under their will or if the property was originally acquired before 20 September 1985 (in which case market values come into play).

Suffice to say, if you own a jointly owned property, or have any dealings in respect of one, it is worthwhile to make an appointment to see us so we can properly explain how these important rules work – especially in the light of all the recent Budget changes.

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CONCESSION CARDS: Cheaper medicines, transport and bills

Government concession cards, including the Commonwealth Seniors Health Card, Pensioner Concession Card, Health Care Card and state-based Seniors Cards, can save you a lot. They cut the cost of healthcare, prescriptions and everyday bills. Several rates and thresholds affecting eligibility change on 20 September 2026, so now is a good time to review what the cards are worth and check whether you qualify.

Know your federal concession cards

These cards offer lower prescription costs of $7.70 compared to the general rate of $25, which fell from $31.60 on 1 January 2026. The concession rate is frozen at $7.70 until 2030. Also, once you reach the Pharmaceutical Benefits Scheme (PBS) Safety Net of $277.20 in a calendar year, your PBS medications are free for the rest of that year.

The Commonwealth Seniors Health Card (CSHC) is for self-funded retirees who have reached Age Pension age (67) and are not receiving an income support payment from Services Australia or the Department of Veterans' Affairs. From 20 September 2026 your adjusted taxable income plus deemed income from account-based pensions must be below $105,048 (singles) or $168,076 (couples combined). A higher limit applies to couples separated by illness or respite care. These limits are indexed on 20 September each year.

The Pensioner Concession Card (PCC) is automatically issued to those on the Age Pension, Disability Support Pension or Carer Payment. You do not need to apply for the card and while you remain eligible a new card is sent to you before the current one expires. If your pension stops permanently due to high income or assets, you must stop using the card. If your Age Pension is instead suspended because of employment income, you can keep the Pensioner Concession Card for up to two years. From 20 September 2026 the Age Pension income and asset cut-off thresholds increase with indexation.

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The table below illustrates the allowable assets for a full and part Age Pension. If you have assets exceeding the part Age Pension asset limit you will not be eligible for a part Age Pension or the Pensioner Concession Card that comes with it.

Age Pension asset limits – 20 September 2026

Family situation	Homeowner		Non-homeowner	
	Full Pension^	Cut-off	Full Pension^	Cut-off
Single	$333,000	$745,750	$600,000	$1,012,750
Couple (combined)	$499,000	$1,121,000	$766,000	$1,388,000

^ The full pension thresholds change on 1 July each year, not 20 September.

The Age Pension is also subject to an income test. The test that results in the lowest Age Pension entitlement is the test that applies. See Services Australia for information on how the asset and income tests are applied when calculating your Age Pension entitlement.

The table below illustrates the income test thresholds for a full and part Age Pension.

Income Limits – 20 September 2026

Family situation (per fortnight)	Full Pension^	Cut-off
Single	$226	$2,701
Couple (combined)	$396	$4,128

^ The full pension income free areas change on 1 July each year, not 20 September.

Check the Health Care Card too

The Health Care Card (HCC), including the Low-Income Health Care Card, is for those on Centrelink payments like JobSeeker or meeting the low-income criteria. It generally provides the same benefits as the Pensioner Concession Card.

Claim your state and territory concessions

Every state and territory offers concession card holders discounts on utilities such as water, electricity and gas. What you can claim depends on which card you hold.

In the ACT, for example, the electricity, gas and water rebate is open to Pensioner Concession Card and Health Care Card holders but not to CSHC holders. To find out what concessions are available to you, check your state or territory government concession finder.

Add a state-based Seniors Card

Alongside federal concession cards, state-based Seniors Cards offer additional discounts. They cover public transport, dining, entertainment and local services.

Check whether you are eligible

State-based Seniors Cards are generally available for residents aged 60 and over who are no longer working full time. For example, in New South Wales, those 60 or older working an average of 20 hours or less of paid work a week over a 12-month period qualify for a Seniors Card, while those working more hours can apply for a Senior Savers Card. Only the Seniors Card comes with a Gold Opal card.

The Victorian Seniors Card is available for Victorians aged 60 or older, working less than 35 hours per week or fully retired. Those working 35 hours or more can apply for a Seniors Business Discount Card, which gives business discounts but no transport concessions.

In Queensland, you qualify for a Seniors Card or Seniors Card+go if you're 65 or older and work less than 35 hours per week (averaged over 12 months), or if you're 60–64, work under 35 hours weekly, and hold a Pensioner Concession Card, Health Care Card, or eligible Department of Veterans' Affairs card. A Queensland Seniors Business Discount Card is available for those 60 or older.

Reminder

Federal and state-based concession cards help you save. Whether it's lower-cost medications, discounted transport or savings on local services, these cards support your lifestyle and budget. Speak to us about applying for a concession card if you think you may be eligible.

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CLAIMING WORK EXPENSES: Where The Line Is Drawn

Everyone loves a work-related deduction. From the 2026-27 income year there is a standard deduction of up to $1,000 for work-related expenses, and it applies automatically. This will simplify things for many. However, if your claims exceed $1,000 you still need to substantiate every dollar.

How does the standard deduction work?

To be eligible for the standard deduction you must be an Australian resident and earn assessable income from salary and wages. It does not extend to dividend or business income. If your labour income for the year comes to less than $1,000, your standard deduction is capped at that amount. Union fees and memberships of a trade, business or professional association can be claimed on top, provided you keep the records. Everything else you would normally claim is unaffected, including donations, rental and investment deductions, personal super contributions, income protection premiums and the cost of managing your tax affairs.

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The trap is record keeping. If your work-related expenses come to more than $1,000, you need records for all of them, not just the amount above $1,000.

Know the two types of deductions

Deductions fall into two camps: specific and general. Costs like membership of a professional association are deductible because the law says that specific expense is deductible. Then there are general deductions, a 'catch-all' for those expenses you incurred in the course of producing assessable income. With so many exceptions and qualifications, deciding what is and what isn't deductible can require a bit of judgement.

Private or domestic expenses

A personal expense is not deductible just because there is a loose connection with work. In FCT v Cooper (1991), a rugby coach instructed a professional player to eat more to improve fitness for the football season. The player claimed a deduction for the cost of the additional food. He said it was deductible because the additional expense on food was incurred while producing assessable income as a professional player. Unfortunately for the player, the Court disagreed. It was held that the expense was a personal one to sustain life, so the deduction was denied.

Work clothing rarely makes the cut

People often want to claim clothing expenses, but unless you wear a company uniform to work it isn't usually deductible. In Case U80 (1987), a department store staff member unsuccessfully claimed a deduction for black clothing in keeping with the retailer's dress code. Being conventional attire, the clothing was a private expense and not deductible.

On the other hand, the personal secretary to the wife of the Governor of Queensland successfully claimed a deduction for formal daytime clothing and evening wear for her job. In this case 51 expensive garments were purchased within three months for formal work events. The deduction was allowed as the abnormal clothing expenses were due to her job and she would not otherwise wear the garments.

The lesson is, check with us before claiming a deduction on clothing.

Incidental benefit may be OK

The ATO does not mind if there is some incidental personal enjoyment from a deductible expense. Let's say you attend an overseas eight-day work-related conference. As part of the conference you go on a winery tour and play a game of tennis. As the main purpose of attending the conference is the gaining or producing of assessable income, the total cost of the conference (airfares, accommodation and meals) is deductible. It's OK if there is a bit of downtime. But if you want to add a personal holiday to the trip, things get tricky. You will need to apportion your airfare and claim only the portion related to the conference.

Reminder

Tax deductions can be tricky. When in doubt, check with us to ensure you get it right.

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CAN MY SMSF AND I CO-INVEST IN A PROPERTY?

Since 10 August 2026, SMSFs can no longer use a Limited Recourse Borrowing Arrangement (LRBA) to acquire residential property. Existing arrangements are grandfathered, and borrowing to acquire business real property is not affected. Co-ownership may be a solution for SMSFs without enough cash to purchase a property outright. However, keep in mind the rules are strict and there are many traps you can fall into.

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You and your self-managed super fund (SMSF) can own an investment property together as tenants in common. Each of you will hold a share on the title reflecting your proportion of ownership. However, even though you might have personal ownership in the property, the property must still be acquired and used in a way that satisfies the Superannuation Industry (Supervision) Act 1993 (SIS Act). Breaching the rules may result in the ATO taking compliance action against the fund. That action can range from administrative penalties on each trustee, to disqualification. In the most serious cases the fund can be made non-complying and lose its concessional tax treatment. So understanding the rules is important.

Keep everything strictly proportionate

Rent, rates, insurance, repairs, agent fees and improvement costs must be split in line with the proportion of ownership interest.

Your fund's share of the rent must go into the fund's own bank account. If you pay for an expense personally which should have been borne by the fund, the fund can be treated as having non-arm's length expenditure. The rental income received by the fund and any capital gain when the property is sold, may then be taxed at 45%. If the fund pays more than its share of expenses, it may be providing financial assistance to a member. This is prohibited and carries penalties.

Do not use the property yourself

The purpose of your fund is to provide you with retirement benefits. Even though you might partially own the property, you may not use it yourself.

Neither you nor a related party, such as a relative, can live in it, even at full market rent. Exceptions apply to business premises that are used "wholly and exclusively" in a business. These business premises are known as business real property. Business real property can be leased to your own business, provided the rent is at market rate and paid on time.

Buy the property from an unrelated seller

Your fund is generally prohibited from buying assets from you or "related parties". This means you will need to purchase the property from an unrelated third party unless it is business real property. Also, your fund cannot buy out your personal share in the property at a later time unless the property is business real property.

Know that the fund cannot help you borrow

Your fund cannot give a charge over its assets. This means you cannot borrow against your share of the property as the lender would ordinarily want to take security over the whole property, not just your share.

Reminder

Co-ownership of property with your SMSF can work well, particularly for business premises, but it can be a complicated arrangement that carries many risks. It is important to get advice before entering these arrangements.

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