client alert | explanatory memorandum

August 2026

CURRENCY:
This issue of **Client Alert** takes into account developments up to and including 29 July 2026.

Are your financial goals still realistic?

The start of a new financial year tends to focus our attention on tax returns, receipts and recordkeeping, but it's also a useful moment to look beyond the paperwork and ask a bigger question: do the financial goals you set a few years ago still make sense for the life you're living now?

Goals can drift over time

Life rarely stands still. Career changes, growing families, property decisions and shifting personal priorities can quietly reshape what matters most to you financially. A goal that felt urgent five years ago may now be less relevant, while something that barely registered back then may have moved to the top of the list. That's why a periodic check-in is worthwhile. Even if you decide your goals don't need to change, revisiting them means a chance to confirm whether your current financial arrangements are still working in the right direction.

It can help to group your goals by thinking about what you want to achieve, how much money you'll need and how long you have to get there. Common categories include:

- short-term goals, such as building an emergency fund or saving for a holiday;
- medium-term goals, such as paying down debt or renovating; and
- long-term goals, such as building wealth for retirement.

Sorting your goals this way makes it easier to see where your money and attention should be directed over the coming year.

Do your investments still match the plan?

Your investments should reflect three things working together: your goals, your investment timeframe (how long before you need the money) and your risk tolerance (how comfortable you are with ups and downs in value).

All three can shift. Someone with fewer financial obligations may accept more short-term volatility than someone closely approaching a property purchase or retirement. Health changes, job changes and family responsibilities can also affect how much risk feels appropriate at any given time. If you haven't looked at your investments alongside your goals lately, it's worth taking the time to check whether they still line up.

Is your retirement vision still current?

Retirement planning benefits from the same kind of review. The lifestyle you pictured years ago, whether that involved travel, downsizing, helping family or working part-time, may look different today.

Thinking through the kind of life you want after work, what it might cost and where the income will come from helps keep your retirement plan connected to reality. Remember, a review doesn't always have to mean big changes. Often it simply confirms you're on track, or highlights small adjustments that could be worth making now rather than later.

A good moment to pause

You don't need to make spreadsheets or major decisions to start. Taking a few minutes to compare where you are now with where you want to be is often the most useful step.

Source: https://moneysmart.gov.au/how-to-invest/develop-an-investing-plan
https://moneysmart.gov.au/plan-for-your-retirement

Take care when claiming occupancy expenses for work from home

The ATO has found that some taxpayers are incorrectly claiming rent, mortgage interest and other occupancy costs as part of their working from home expenses. The key to getting it right is understanding the difference between *running expenses* and *occupancy expenses*, and what you're eligible to claim.

Running expenses are the extra costs you incur working from home. These can include costs for heating, cooling or lighting; internet or data; phone costs; stationery; computer consumables; and the decline in value of office furniture or equipment not provided by your employer. Note that you can't claim expenses that have been reimbursed by your employer.

Occupancy expenses are the costs of owning or renting your home. These include mortgage interest, rent, council and water rates, land tax and house insurance premiums.

What are you eligible to claim?

Employees can generally claim *running expenses* if they work from home to perform their substantive employment duties (eg not just answering a few emails or taking phone calls), incur additional costs as a result, and keep records to support the claim. There are two ways to calculate the deduction:

- *fixed rate method*: For the 2025–26 income year, the fixed rate is 70 cents per hour worked from home. This covers energy, internet, phone, stationery and computer consumables. You can make separate claims for depreciating assets such as office furniture, computers or other work-related equipment.
- *actual cost method*: This method lets you claim the work-related portion of your actual additional expenses. You must keep records that represent the hours you worked from home, such as timesheets, rosters or a diary showing at least a 4-week regular pattern of work, alongside detailed records of expenses incurred and how you calculated the work-related portion.

Occupancy expenses are rarely deductible for employees. To claim occupancy expenses, you generally need to show that your home work area has the character of a place of business. This may be the case if the nature of your income-earning activities requires a place of business, your employer doesn't provide another work location, and the workspace is used exclusively or almost exclusively for work.

A home workspace may be a place of business if that it's clearly identifiable as a business area; is not readily suitable for private or domestic use; is used regularly for work; and, where relevant, is used for client or customer visits.

If you're eligible to claim occupancy expenses, you must apportion them (which means calculating amounts related to private use versus work use) and only claim the work portion. This is generally based on the floor area used for work; the period the area was used for work during the year; and your ownership or share, if the property's jointly owned or the rent's shared. You also need records such as mortgage interest statements or rental receipts, council and water rate notices, house insurance documents and a floor plan showing the work area.

There may also be capital gains tax consequences for occupancy expenses when using part of your home as a business premises. If your home was acquired after 20 September 1985 and is partly used as a place of business, you may lose part of the main residence exemption when you sell the property, even if you don't claim all available occupancy expenses.

Source: www.ato.gov.au/tax-and-super-professionals/for-tax-professionals/tax-professionals-newsroom/claiming-occupancy-expenses-while-working-from-home

ASIC report suggests it's time to check on your mortgage offset account

You set up your offset account expecting it to reduce the interest charged on your home loan. But what if it's not linked correctly, or isn't operating as intended? A recent ASIC review suggests this has happened to a significant number of Australian borrowers.

What ASIC uncovered

ASIC has released a report examining how major lenders manage mortgage offset accounts. The review covered eight banks representing more than 70 per cent of Australia's home loan market.

The findings were unsettling. While practices varied across the banks, ASIC identified weaknesses at each lender in how offset accounts were opened, linked, monitored and managed. In some cases, customers missed out on the interest savings they were entitled to receive.

Banks paid over $55 million in customer compensation for offset account failures reported to ASIC between September 2023 and August 2025, and that figure is expected to grow as remediation continues.

Why this matters to you

Offset accounts are marketed as an easy way to reduce interest across the life of a loan, yet the review found this promise is not always delivered. When offset accounts don't operate correctly, the harm can be hidden. Loan repayments stay the same, while customers unknowingly pay more interest and take longer to repay their loan.

With mortgage offset accounts now a common feature of Australian home lending, the stakes are meaningful.

The common failures

The types of errors ASIC identified are surprisingly basic. Among the failure types identified by the banks across the 204,000 loans in scope, 55% involved an offset account that had been opened but not linked to the home loan, while 22% involved an account that had not been opened.

Other issues stemmed from system errors, process gaps and poor record keeping. In some cases, banks could not even confirm whether a customer had originally asked for an offset account, which suggests problems may be more widespread than the reported numbers show.

Simple checks you can run

Given ASIC's findings, borrowers may wish to check that their offset arrangement is operating as intended. A good starting point is:

- log in to your online banking or mobile app and confirm the offset is linked to your home loan;
- check whether the balance is being applied to the correct loan and at the applicable offset percentage provided under your loan terms;
- review recent loan statements for anything that looks inconsistent; and
- if you’ve refinanced or switched loan products, ask your bank whether the offset needs to be re-linked.

If the information is not available, raise it with your bank.

Source: www.asic.gov.au/about-asic/news-centre/find-a-media-release/2026-releases/26-173mr-hidden-mortgage-offset-failures-costing-australians-millions-in-lost-interest-savings/

Paid parental leave super contributions have started

Welcoming a new child is a huge milestone, but taking time out of the workforce can also mean a pause in super contributions. From July 2026, that gap starts to narrow for eligible parents who received government-funded Parental Leave Pay (PLP) for a child born or adopted from 1 July 2025.

The Paid Parental Leave Superannuation Contribution (PPLSC) is a government-funded super payment for eligible parents who receive PLP and is intended to help reduce the long-term superannuation gap that can arise when a person takes time out of the workforce to care for a child.

Under the scheme, the ATO pays the contribution into your super fund as a lump sum after the end of the financial year in which you received PLP. There’s no need to make a separate application to receive the PPLSC.

The first PPLSC recipients will be individuals who received government-funded PLP in 2025–2026 for children born or adopted from 1 July 2025. Calculation and payment of PPLSCs by the ATO will begin from the start of the 2026–2027 financial year. For PLP received in 2026–2027, the related PPLSC will generally be paid after the end of that financial year.

The PPLSC is calculated by applying the superannuation guarantee rate of 12% to the PLP paid to you, and also includes a nominal interest component designed to compensate for the time between the original PLP being paid and the later ATO payment of the PPLSC.

The contribution is taxed at 15% in the super fund and counts towards your concessional contributions cap. If you also make salary sacrifice or personal deductible contributions, the PPLSC may need to be considered in your contribution planning for the year the lump sum is received.

Other changes from 1 July 2026

Payment of the PPLSC is not the only change to paid parental leave from 1 July 2026. For children born or adopted from that date, eligible families can receive up to 130 days of PLP (26 weeks based on a five-day work week). If you have a partner when you claim, 20 of the 130 days will generally be reserved for their use, although exemptions can apply.

For PLP days taken in the 2026–2027 financial year, the pre-tax rate of payment has risen to $200.94 per day (or $1,004.70 for a five-day week). The PLP rate usually changes on 1 July each year, and the rate you receive depends on the financial year in which you take your leave.

What should I do now?

In most cases, the ATO will pay the contribution to the fund that currently receives your super contributions. To help avoid delays, check that: your personal details are up to date with the ATO, Services Australia and your super fund; and your name and address match across your ATO, Services Australia and super fund records.

If PLP was shared, each person receives a contribution based on their share of the PLP taken. This makes it especially important that all details are up to date.

If you expect to receive PLP in 2026–2027, spouse contribution splitting, salary sacrifice arrangements and personal deductible contributions can all interact with a future PPLSC lump sum. These amounts may need to be considered together, particularly if you are already planning to use most or all of your concessional contributions cap in the year the PPLSC is received.

Source: www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/how-to-save-more-in-your-super/government-super-contributions/paid-parental-leave-superannuation-contribution

Division 296 tax on large super balances

If your total superannuation balance is above $3 million, a new layer of tax may apply to certain earnings attributable to the portion above that threshold. Division (Div) 296 tax applies from the 2026–2027 income year, with assessments expected after the relevant earnings information has been reported to the ATO.

Div 296 tax is levied directly on the individual and is separate from personal income tax and superannuation fund tax. The ATO issues the assessment, and payment is generally due within 84 days of the notice. Div 296 tax is in addition to the (up to) 15% tax that super funds pay on fund earnings in the accumulation phase.

From 2026–27, Div 296 tax applies to you if you have a large total superannuation balance (TSB) as follows:

- TSB up to $3 million: no Div 296 tax;
- TSB above $3 million: 15% Div 296 tax on earnings attributable to super balances over $3 million; and
- TSB above $10 million: a further 10% Div 296 tax on earnings attributable to super balances over $10 million.

These thresholds are indexed to the Consumer Price Index. The $3 million threshold is indexed in $150,000 increments and the $10 million threshold in $500,000 increments.

Unlike the tax on earnings paid by super funds, Div 296 tax applies to large super balances in the retirement phase as well as the accumulation phase.

Who is affected?

You may be liable for Div 296 tax if your total superannuation balance just before the start of the year, or at year end, is above $3 million and your total superannuation earnings for the year are greater than nil (although for the first year of this new tax the ATO will only look at your TSB on 30 June 2027). Your TSB generally includes Australian super interests in APRA-regulated funds, SMSFs and relevant public sector schemes, subject to valuation rules and exclusions. Foreign super interests are excluded.

Certain individuals are excluded, including child recipients of a super income stream and individuals for whom a structured settlement contribution has been made in the relevant income year or any earlier income year.

How is it worked out?

There are three broad steps:

- your super fund calculates its Div 296 fund earnings for the whole fund for the year;
- the fund attributes a share of those earnings to *your* interest in the fund and reports the amount to the ATO; and
- the ATO applies a formula to work out the proportion of your TSB above each threshold and calculates the tax.

Div 296 fund earnings for APRA-regulated superannuation funds are attributed by the fund trustee on a fair and reasonable basis. However, small funds, including SMSFs, must use a specific formula to calculate the member's share of earnings, based on the average value of their interest in the fund over the year. Trustees of defined benefit and certain other superannuation interests that don't have an account balance attributable to the beneficiary (eg lifetime income streams) use an alternative method to attribute your earnings that’s more appropriate for those particular types of superannuation interests.

Paying the tax

You can pay Div 296 tax personally, elect to release the amount from your super, or use a combination. If electing release, your application generally must be lodged within 60 days of the assessment notice. Tax attributable to a defined benefit interest is generally deferred until benefits become payable.

Source: www.ato.gov.au/tax-and-super-professionals/for-superannuation-professionals/super-funds-newsroom/be-ready-for-new-tax-on-large-super-balances

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