BARASSI & Co.
CHARTERED ACCOUNTANTS

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Client Information Newsletter - Tax & Super
February 2026

Change to the tax treatment of holiday homes

No doubt noting the growing trend for people to rent out property for short-term accommodation, the ATO has withdrawn a 40-year old ruling and replaced it with a new draft Taxation Ruling accompanied by two draft Practical Compliance Guidelines that between them cover everything relating to renting out all or part of your property without carrying on a business, including income and deductions in a variety of circumstances.

This article focuses on holiday homes, which have always been a bit of a grey area from a tax perspective. The new guidance material tightens up the rules around the deductibility of ownership costs (mortgage interest, rates, insurance, maintenance and repairs), although not by as much as it might seem at first glance.

The ATO has always maintained that net rental losses from a holiday home are only deductible if the property is genuinely available for rent on commercial terms, particularly around peak seasonal times. Blocking out large slabs of time over Christmas and the school holidays for the owner's personal use of their beach

continued overleaf ⇨

Contact Us

Welcome to our client information newsletter, your monthly tax and super update covering the important issues, news and hot topics affecting you. For further information on any of the topics covered, please contact us via the details below.

Suite 1, 70-80 Wellington Street, Collingwood, Vic 3066
T: 61 3 9650 7333 | F: 61 3 9650 7230
E: barinfo@barassiandco.com.au
W: www.barassiandco.com.au

© Content in partnership with the Institute of Financial Professionals Australia

Change to the tax treatment of holiday homes... cont

house or for use by family and friends for free or at below market rates while asking for unrealistically high rents or imposing onerous conditions on would-be renters would not be regarded as making the property genuinely available for rent.

Under the withdrawn guidelines, this issue was addressed by only allowing deductions for holding costs on a time basis – eg, if the holiday home was let to unrelated parties on commercial terms for, say, 18 days in an income year, the owner would have to include all of the rent received as assessable income but could only claim 4.9% of the outgoings, including holding costs. There was no deduction for holding costs attributable to the time spent at the property by the owner, nor for the period when the property was vacant.

The new guidance material uses a different approach. After many years it has occurred to someone in the ATO that a holiday home is a "leisure facility", and under the law the cost of acquiring or holding a leisure facility is non-deductible. So even the 4.9% that was deductible under the withdrawn guidelines will no longer be deductible. Perhaps not much of a change in the scheme of things, but in the wrong direction for holiday home owners.

But there is an exception to the blanket disallowance of holding costs for leisure facilities, and this is where they are "mainly" used to produce rental income. This opens up the same can of worms that the withdrawn guidelines had to grapple with, but the guidance material does provide some practical examples about the meaning of "mainly" in this context.

A time analysis is a useful starting point, but it is not in itself determinative. Other less tangible factors include the pattern of use of the holiday home and the times it is set aside for the owner's personal use. The mere fact of advertising the holiday home for rent is helpful, provided the rent being sought is commercial and the home is genuinely available to rent at peak times.

Much useful guidance is provided on apportionment where the rental pattern establishes the main use of the holiday home is to produce rental income. One of the examples given makes it clear that the numerator in the apportionment formula is the sum of the number of days the property is actually let plus the number of days it was vacant but genuinely available for rent. That makes it worthwhile clearing the "mainly" requirement if you can.

Because the leisure facility approach is new, the ATO has stated that it will not devote compliance resources to applying the new stricter view to properties owned before 12 November 2025 for the income years ending 30 June 2026 or earlier.

Holiday home owners should keep careful records of their holiday home, including:

- Detailed logs of rental and private use
- Evidence of market-based pricing and booking acceptances and rejections
- Evidence of not blocking peak periods for personal use

As your trusted advisors, it's our job to alert you to tax changes that might affect you. But we also realise there are intangible benefits and priceless memories that can come from the enjoyment of a well located holiday home, whether it's on the beach or near the snowline. Enjoy what you have and perhaps don't base all your decision making around a 4 or 5 per cent tax deduction.

In the meantime, we're here to help clarify any questions you might have about the tax treatment of short-term rentals generally, including holiday homes.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Permanent incapacity and super

What it means if you're totally and permanently disabled

Most people think of superannuation as money they can't touch until retirement, but there are important exceptions. One significant exception is the permanent incapacity condition of release, which can allow people who are totally and permanently disabled to access their super earlier.

Understanding how this works can make a real difference at a time when income, medical costs, and financial security are often under pressure.

What is permanent incapacity?

Under superannuation law, permanent incapacity generally means that, because of physical or mental ill-health, you are unlikely to ever work again in a job for which you are reasonably qualified by education, training, or experience.

To meet this condition of release, your super fund usually requires certification from two medical practitioners confirming that your condition is permanent and prevents you from returning to suitable employment.

continued overleaf ⇨

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Permanent incapacity and super ... cont

Once this condition is satisfied, your super can be released to you, even if you are well below preservation age.

You can access super even without insurance

A common misconception is that you can only receive money from super if your fund held Total and Permanent Disability (TPD) insurance. That's not the case.

Even if your super fund did not have any insurance cover at all, you may still be able to access:

» Your existing super balance

» Employer contributions

» Personal contributions and earnings

The permanent incapacity condition of release applies to your super savings themselves, not just to insurance payouts. This can be especially important for individuals who changed jobs frequently, had low balances, or opted out of insurance.

In other words, the absence of insurance does not prevent access to super if you meet the permanent incapacity rules.

How the money can be paid

Once approved, the released super can usually be taken as:

» A lump sum – which may assist with large expenses like paying off the mortgage

» An income stream which may assist with meeting ongoing living expenses

Tax treatment may vary depending on your age and the components of your super, but in most cases, part of the benefit will be taxed concessionally compared to regular income.

It is important to get advice about your options and any tax implications before payment.

The role of TPD insurance in super

While insurance is not required to access super under permanent incapacity, TPD insurance held inside super can provide significant additional support.

If your fund includes TPD cover and your claim is accepted, the insurance benefit is paid into your super account. This can substantially increase the amount available to you, often at a time when earning an income is no longer possible.

Some key benefits of TPD insurance in super include:

» Premiums are generally deductible to the fund and this benefit is passed on to the member

» Premiums are paid from super, not your take-home pay meaning it won't impact your cashflow

» You may not have to deplete super savings otherwise set aside for retirement

Final thoughts

The permanent incapacity condition of release from super exists to provide financial support when it's needed most. If you are totally and permanently disabled, superannuation is not locked away indefinitely and can be accessed to help you manage life after work.

Whether or not insurance is involved, understanding your options can ease financial stress and give you more control during a difficult time. If you think you may qualify, speak to us to help guide you through your next step with confidence.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

CGT: Buying a new home before selling the old

If you find yourself in the position of having bought yourself a new home before you sold your existing home, there are important CGT issues to consider – and these centre on the fact that under the CGT rules, you cannot have two or more CGT exempt homes at the same time.

However, there is an important concession that allows you to treat both the new home and the existing home as exempt from CGT for up to a period of six months – provided the new home actually becomes your main residence.

So, for example, in the simple case where you bought your new home on 1 February 2026 and then sell your existing one five months later on 1 July 2026, your existing home won't be subject to any CGT – and your new home won't lose any CGT exemption for this five month period.

However, the availability of this concession is subject to a number of important conditions.

Firstly, the existing home must have been your home for a period of at least three months in the 12 month period before you sold it. And, secondly, it must not have been used for the purpose of producing taxable income in any part of that 12 month period when you did not live in it.

So, in the above example, if you rented your existing home in the five month period before you sold it (which vendors sometimes do while waiting to sell it), you could not use this concession to give you an additional five months of exemption on that home.

As a result, you will be subject to a partial CGT liability to reflect the fact that your dwelling could not be treated as a main residence during this five month period.

(But if this was the first time you rented it and it would otherwise have been entitled to a full main residence exemption just before you rented it, then you would calculate this partial CGT liability by reference to its market value when you first rented it and the amount you sell it for.)

However, the stringency of these conditions about the use of your existing dwelling in the 12 month period before you sell it can be alleviated by using another concession (the "absence concession") to continue to treat it as your main residence, even if you rent it in this period.

continued on page 8 ⇨

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Six changes impacting your super in 2026

Superannuation rules are always evolving, and 2026 is shaping up to be another year of important changes. Some of these updates may only affect a small group of people, while others could impact almost everyone with super.

Whether retirement feels a lifetime away or it's already on the horizon, understanding what's changing can help you make smarter decisions and avoid costly mistakes. Here are six key changes to keep on your radar.

1. Possible tax changes for large super balances

One of the most talked-about changes is the government's proposal to increase tax on large super balances, also known as Division 296 tax.

Here's how it's expected to work (if the legislation passes):

» Balances up to $3 million: no change. Earnings continue to be taxed at 15% as they are now.

» Balances between $3 million and $10 million: an extra 15% tax on earnings, bringing the total to 30% on that portion.

» Balances above $10 million: the total tax rate on earnings will rise as high as 40%.

It's important to note:

» These changes are not law yet

» Only a small number of Australians would be affected

» Withdrawing super prematurely can be hard to undo because of contribution limits

If this may apply to you, the best approach is patience. Wait until the rules are final and get professional advice before making any big moves.

2. Payday super is locked in

One change that **is** definitely happening is payday super.

Currently, employers only have to pay super at least once every three months. From 1 July 2026, that changes.

Under the new rules:

» Employers must pay super at the same time as salary or wages

continued overleaf ⇨

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Six changes impacting your super ... cont

» Contributions must reach your super fund within 7 business days of payday

» For new employees, the first contribution must be paid within 20 business days of the salary or wages being paid

This is good news for workers. Paying super more frequently means:

» Your money gets invested sooner

» Less chance of unpaid or forgotten super

» Better long-term outcomes thanks to compounding

If you're an employer, now is the time to start preparing for these changes ahead of their commencement on 1 July 2026. Reviewing your payroll systems and internal processes early will help ensure a smooth transition. This may involve speaking with your payroll software provider, accountant, or registered tax professional to confirm your systems are compliant. If you need support, we're here to guide you through the process and help you get ready with confidence.

3. Contribution caps are expected to increase

Thanks to rising wages, super contribution limits are expected to increase from 1 July 2026.

While final confirmation depends on official figures released in late February 2026, the changes are widely expected to be:

» Concessional (before-tax) cap increasing to $32,500

» Non-concessional (after-tax) cap increasing to $130,000

These caps are linked to wage growth, and based on recent data, it would take a significant and unlikely drop in wages for indexation not to occur.

This change could create opportunities for:

» People topping up their super

» Those who arrange with their employer to salary sacrifice part of their income into super

» Individuals planning larger after-tax contributions

Once the new caps are confirmed, we'll let you know and help you understand what they mean for your super strategy.

4. Transfer balance cap: what's happening next?

The transfer balance cap (TBC) limits how much super you can move into a retirement-phase pension. Unlike contribution caps, the TBC is indexed to inflation (CPI) rather than wages.

Based on the latest December CPI figures, the TBC is set to increase from $2 million to $2.1 million from 1 July 2026.

This change will mainly affect people who haven't yet started a retirement pension. If you already receive a retirement pension from your super, you may still benefit from a partial increase, depending on your individual circumstances and how much of your cap you've already used.

5. More flexibility for legacy pensions

Good news for people stuck in older super pension products.

New rules now allow greater flexibility for certain legacy pensions, such as lifetime, life expectancy and market-linked pensions held in SMSFs.

Previously, these pensions:

» Couldn't be easily changed or exited

» Often no longer suited members' needs

» Had strict limits around reserves and conversions

Under the new rules:

» A five-year window allows eligible members to review and restructure these pensions

» This creates opportunities to simplify super and improve flexibility

Because legacy pensions are complex, professional advice, especially from an SMSF specialist, is strongly recommended before making changes.

6. Better fund performance, transparency and tech

Large APRA-regulated super funds continue to face increased scrutiny, and that's a win for members.

continued overleaf ⇨

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Six changes impacting your super ... cont

In 2026, expect to see:

» Ongoing pressure on underperforming funds, including forced mergers

» Clearer reporting on fees, performance and investments

» Better tools to compare super funds and make informed choices

At the same time, technology is transforming how we interact with super. Many funds are rolling out:

» Smarter online dashboards

» Improved mobile apps

» AI-driven tools to help with investment choices and retirement planning

If you haven't logged into your super account lately, 2026 is a good year to start.

Final thoughts

Superannuation is a long-term game, and even small rule changes can have a big impact over time.

Take the time to review your super, stay informed about potential changes, and consider speaking to a financial adviser if needed. With the right knowledge and strategy, you can make sure your super keeps working hard for your retirement.

CGT: Buying a new home ... cont

In a similar fashion, you can use another concession (the "building concession") to treat any land you acquire on which to build a new home as your new home for the purposes of this six month overlap rule.

However, in both these cases the application of these particular concessions, and their interaction with the rule that allows you to treat an existing home and new home as CGT exempt for up to six months, can be quite complex. And much will depend on the precise facts of the case.

If you find yourself in the position of having bought yourself a new home before you sold your old one (or are intending to do this) come and speak to us – we will show you how the rules operate in your circumstances, and how they can be applied most advantageously.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.