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CLIENT NEWSLETTER

This month we look at several practical issues that could affect your tax and superannuation position. The ATO's expanded passenger movement data-matching program means international travel records could come under greater scrutiny, particularly where tax residency is unclear or circumstances have changed. We then turn to lost superannuation, with more than $21 billion currently sitting unclaimed and a simple check potentially uncovering money that belongs to you. Recent changes to the negative gearing reforms that apply from 1 July 2027 have also fixed some unintended outcomes affecting jointly owned properties and former main residences, providing greater certainty for taxpayers in these situations. Finally, we look at SMSF investment strategies and why regularly reviewing the strategy is about more than meeting a compliance requirement, particularly as members move from the accumulation phase into retirement.

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Travel records under the microscope

If you spend time outside Australia for work, family or personal reasons, your travel history could become increasingly important when it comes to your Australian tax affairs.

On 24 August 2026, the ATO gazetted its latest passenger movements data-matching program. Under the program, the Department of Home Affairs is expected to provide the ATO with travel

information for around 115,000 individuals each year from the 2026–27 income year through to 2028–29.

The information may include an individual's name, date of birth, arrival and departure dates, passport details and citizenship or visa status. The ATO can then compare this information with its own records to identify potential issues with tax residency, registration, lodgement, reporting and payment obligations.

For taxpayers who regularly travel overseas, one of the most important areas to consider is their tax residency position.

Why tax residency matters

Your Australian tax residency status can have a significant impact on how you are taxed.

For example, Australian residents are generally taxed on their worldwide income, while foreign residents are generally taxed only on their Australian-sourced income. Residency can also affect the tax-free threshold, Medicare levy obligations and capital gains tax (CGT) outcomes.

This means that where you have moved to or from Australia, or spent extended periods overseas, the exact dates you entered and left Australia can be important when preparing your tax return.

The ATO will now have access to passenger movement information from an independent government source. If the dates reported by a taxpayer do not appear to align with those records, this could potentially prompt the ATO to seek further information.

Importantly, spending time overseas does not automatically make someone a foreign resident for tax purposes. Tax residency is determined by considering a range of factors, including family circumstances, the strength of connections with Australia and someone's intentions and behaviour. However, accurate travel records can be an important part of establishing the overall position.

When could your travel history matter?

There are several situations where keeping accurate travel records could be particularly useful.

Part-year residency

If you became or ceased to be an Australian tax resident during the year, the dates you arrived in or departed Australia may form part of the evidence supporting your residency position. They can also be relevant when determining whether a part-year tax-free threshold applies.

Working overseas

If you regularly travel overseas for work, your travel history may help establish when you were working in Australia and when you were overseas. This can be particularly relevant where your tax position involves foreign employment income, work-related travel or other overseas activities.

Selling an Australian property

If you have moved overseas and later sell an Australian property, your residency history can be relevant to the CGT treatment. An individual's tax residency status can have a significant impact on whether the main residence exemption can apply on sale of someone's home, so keeping a clear record of when you were living in Australia and when you were overseas can be helpful.

What should you do?

There is no need to be concerned simply because you travel overseas. However, if you spend significant periods outside Australia, it is worth making sure your records are accurate and consistent.

As a practical starting point:

- Keep a record of your arrival and departure dates for each trip, including the year in which the travel occurred.
- Retain useful supporting records such as flight itineraries, boarding passes and passport records where available.
- Let us know about significant periods spent overseas, particularly if you have moved overseas or are considering doing so.
- Before lodging your tax return, check that the dates used in any residency calculation or other relevant tax treatment are accurate.

Good record-keeping is particularly important where your residency position is not straightforward. If there is a difference between the dates you have reported and the information available to the ATO, having supporting records can make it much easier to explain the position.

A small detail that could make a big difference

For most taxpayers, the ATO's passenger movements data-matching program is unlikely to have any direct impact. However, for people who regularly travel overseas, have moved countries or have a residency position that is finely balanced, accurate travel records could become increasingly valuable.

Rather than waiting for the ATO to raise a query, it is worth discussing your circumstances with us if you have spent substantial time overseas during the year or plan to in the near future.

A few minutes spent checking your travel dates and residency position could help avoid unnecessary questions later and provide greater confidence that your tax return accurately reflects your circumstances.

$21 billion in lost super is waiting

More than $21 billion in lost and unclaimed superannuation is currently sitting idle across Australia, according to the latest ATO figures. The average lost account holds around $41,000. Last year alone the ATO reunited more than $1.1 billion with members.

That is real money that could be working harder for your retirement. Tax time is the natural moment to check whether any of it belongs to you.

How super becomes “lost”

Super generally becomes lost when an account becomes inactive and the fund can no longer contact the member. Common triggers include:

- Changing jobs and leaving an old account behind
- Moving house or updating your phone number without telling the fund
- Changing your name

When the fund cannot reach you, the account may be classified as lost. In some cases, the balance is eventually transferred to the ATO to hold until the rightful owner claims it. The money does not disappear; it simply sits waiting to be reunited with its owner.

A five-minute health check

Finding lost super is straightforward and free. The quickest way is through ATO online services via myGov:

1. Log in to myGov and open the ATO section.

2. Select Super, then Fund details.

3. You will see any active accounts plus any lost or ATO-held super linked to your tax file number.

You can also use the ATO app or call the automated lost super search line on 13 28 65. A paper form is available if you prefer.

Many people are surprised by what turns up from old accounts from early jobs, small balances that have grown over time, or larger amounts they had completely forgotten about.

Especially valuable if you are approaching retirement

For clients still decades from retirement, finding lost super is useful. For those at or approaching retirement age it can be particularly meaningful. An extra $20,000 or $40,000 (or more) can make a noticeable difference to the size of the nest egg available to draw on. Even smaller amounts compound further once consolidated into a single active account that continues to earn returns and attract any future contributions.

One important practical warning before you consolidate

If you decide to roll multiple accounts into one preferred fund, check the insurance cover attached to each account first. Death, total and permanent disability, or income-protection cover that comes with a super account can sometimes end when the balance is rolled over. Losing that cover without realising it can leave a gap in your protection at the exact time you may need it most. Speak with your fund or adviser before consolidating so you understand exactly what will transfer and what will not.

The commercial upside is simple

Every dollar sitting in a lost or low-balance account is potentially earning less than it could, or incurring unnecessary fees. Bringing the money into one active account usually reduces fees, improves investment choice, and makes it easier to keep track of your overall position. The ATO's reunification figures show that when people do the search, meaningful amounts are regularly returned.

The process takes only a few minutes and costs nothing. Given that more than $21 billion is currently waiting to be claimed, the odds that some of it belongs to you are higher than many people expect.

You can start the free search here:

https://www.ato.gov.au/forms-and-instructions/superannuation-searching-for-lost-superannuation

If you would like help interpreting what you find, or advice on whether consolidation makes sense in your circumstances (including the insurance check), just get in touch. A short conversation now can put money back into your retirement savings that might otherwise stay forgotten.

"Widow tax" fixed

Federal Parliament has closed an unintended loophole in the recent negative gearing and capital gains tax reforms that became widely known as the "widow tax". At the same time, the Government also fixed a technical issue that could have affected people who first use a main residence to generate rental income after Budget night on 12 May 2026.

What the problem was

As you might be aware, the tax rules have recently been changed to ensure that losses generated from residential rental properties from 1 July 2027 can be 'quarantined'. This means that they can only be offset against income or capital gains generated from other residential rental properties. However, the changes won't generally apply to properties that were purchased by the relevant taxpayer before 12 May 2026.

However, a problem could arise when an ownership interest in a property passes to someone as a result of the death of the original owner or because of a relationship breakdown and this occurs after 12 May 2026. Under the original version of the new rules, that transfer could be treated as a new acquisition. This could have meant that a surviving spouse or former partner risked losing the protected negative gearing treatment that had applied to the property in the hands of the previous owner.

How it was fixed

The Government moved quickly once the issue was identified. Some new rules now specifically protect people who acquire a residential property interest from a spouse because of death or relationship breakdown. The rules can also potentially protect someone who inherits an additional ownership interest in a rental property from a co-owner who isn't their spouse.

Case study 1 – the widow tax fix

Sarah and David bought a rental unit in 2019 as equal joint owners. The property has always been negatively geared, with annual rental losses of around $8,000 offset against their other income each year.

Under the original May 2026 reforms, the property was protected because it was acquired well before Budget night. However, if David had died and the property transferred fully into Sarah's name, the additional 50% interest that Sarah inherited from David's estate risked being treated as a new acquisition. Sarah could have lost the ability to claim the losses generated from this interest in the property against her other income.

With the updated rules now in place, that outcome is avoided. Because the transfer occurs due to the death of a spouse, Sarah keeps the original protected treatment and can continue offsetting the rental losses in the same way as before.

Former main residences

A related technical issue also needed fixing. Under the original rules there was a risk that an existing main residence purchased before 12 May 2026 could lose its protected status if it was later first used to generate taxable rental income after that date. This was because of the interaction with a long-standing tax rule that can treat someone as if they had reacquired a former main residence when it is first used to produce income.

The Government has now passed legislation to correct this. The new rules specifically disregard that "first use to produce income" rule when determining the acquisition date for negative gearing purposes.

Case study 2 – renting out a former home

James bought his home in 2018 and has lived in it as his main residence ever since. In 2027 he decides to move in with his partner and rent the property out for the first time.

Under the original drafting of the 2026 reforms, first renting the property after 12 May 2026 risked resetting its acquisition date. That could have caused the property to be treated as a post-Budget night acquisition and subjected to the tighter negative gearing limits.

With the new rules now in place, that reset is disregarded for negative gearing purposes. Because James originally acquired the property before 7:30 pm on 12 May 2026, it keeps its original acquisition date. He can continue to offset any rental losses in the same way as if the property had always been an investment property acquired before Budget night.

Why these fixes matter

Both changes remove sources of unexpected cash-flow disruption. The "widow tax" fix protects people at a difficult personal time. The main residence clarification gives homeowners

greater flexibility if their circumstances change and they later decide to rent out a property they already own.

What you should do now

- If you own a jointly held investment property acquired before 12 May 2026, the "widow tax" fix provides reassurance that a future transfer on death or separation should not remove negative gearing rights, but the rules are still complex and it is always best to have the position checked.
- If you own a main residence bought before 12 May 2026 and are considering renting it out in future, the new rule means the property should keep its original acquisition date for negative gearing purposes, but there could still be some complex CGT implications.
- Keep clear records of the original purchase date and ownership history.

If either situation applies to you and you would like confirmation of how the amended rules work in your circumstances, contact us.

Reviewing your fund's investment strategy

Superannuation law requires trustees of SMSFs to formulate, regularly review and give effect to an investment strategy that has regard to the whole of the circumstances of the fund. Although there is nothing in the law stating a timeframe that may define 'review regularly', it is commonly accepted that this would be at least annually. This aligns with comments on the ATO's website where they expect reviews to occur at least annually.

Some trustees will undertake an annual review leading up to, or at the beginning of a new financial year, while others will undertake the review as part of reviewing the completed financial accounts from the previous financial year. Neither is the right or wrong option, and you must consider what is best for your situation.

Either way, you will need to be able to show your fund's auditor that you have reviewed the investment strategy and documented any decisions made, whether it be recording changes deemed necessary or determined the existing strategy remains appropriate.

There may be other times that it is appropriate to review the investment strategy. These may include when:

- There is a market correction;
- A member joins or leaves the fund;
- A member starts a pension in the fund.

An investment policy will generally be comprised of two parts:

1. Investment objective – this part outlines the fund's objectives and expected outcomes. For example, an objective may be to achieve a certain level of return over a certain period. This would generally take into account the age of the members, their retirement needs and investment risk profile.

2. Investment strategy – this part outlines how the fund will achieve the stated objectives. For example, it may include investment asset ranges or specific assets that will be held.

When reviewing your fund's investment strategy, consideration must be given to:

- The risk of holding particular investments and their returns, with regards to the fund's objectives and expected cashflow requirements;

- Composition of investments and the risk of inadequate diversification;
- Liquidity of investments, with regards to expected cashflow requirements;
- Ability to discharge existing and prospective liabilities; and
- Whether insurance cover for one or more members should be held by the fund.

Although these points need to be considered, it is up to the trustees to determine how they are applied, based on the circumstances of the fund.

As an example, you must consider the diversification of the fund's assets, but that does not mean you are required to have a diversified investment strategy. Many funds hold just a property and a bank account, and this may be appropriate for those funds. However, the trustees should document what consideration they gave to diversification, why the lack of diversification is appropriate and why they have chosen these particular assets.

Likewise, there is no legal requirement to hold insurance cover for the members, but you do need to document that it has been considered.

As noted above, a member starting a pension may be reason to review the fund's investment strategy. This is due to the fact that this is likely to change the liquidity considerations and investment profile of the fund. When members are all in the pre-retirement growth phase, expenses are usually more predictable and there isn't a need for many funds to hold large cash reserves. Once members reach the point they are accessing their benefits, as either pension or lump sum payments (or both), cashflow, liquidity and a potential cash buffer become a more important consideration.

It is not uncommon that leading up to the end of any given financial year we will field enquiries and concerns from trustees that do not have the cash to satisfy even the minimum pension requirements for the year. While there may be several reasons for this, it should raise questions about the appropriateness of the fund's current investment strategy and considerations as to whether a review of the asset holdings is warranted.

If we revisit the one property and one bank account funds mentioned early, this may have been a reasonable strategy during the growth phase, but does it remain so during the drawdown phase?

Although many people are comfortable with property and Australian investors in general have an affinity for the old bricks and mortar, this does not mean it is an appropriate investment in all circumstances. If the rental income from the property cannot support your retirement needs and minimum pension withdrawal requirements, something needs to change. This will hold true for any other investment that may not be easily sold, such as holdings in unlisted companies and trusts.

Reviewing your fund's investment strategy and giving consideration to the needs of the members and the asset holdings of the fund should not be seen as just a tick-a-box legal requirement. You've worked hard to build you retirement wealth and when the time comes, you want to be able to enjoy it. Having an appropriate investment strategy that will allow this is an important element of running an SMSF. Have you reviewed your strategy lately?