The $1,000 Instant Tax Deduction

The new section introducing this is 25-130 ITAA 1997, the wording is interesting. It specifies that you have to be an Australian resident at some time during the year and derive "assessable labour income" during the year.

That term assessable labour income raised my eyebrows, I wondered if it was determined by the colour of your collar. But no it is a pretty wide definition including director's fees, employer payments on retirement, return to work payments and parental leave. What is bizarre is the income that is not considered assessable labour income. If you are a sole trader or in partnership you do not qualify. Yet if you operate your own business through a company or trust, even if caught as personal services income (80/20 rule) you can pay yourself a wage and qualify for the $1,000. If you are working for a labour hire firm unless you are actually paid wages as an employee your income will not be considered assessable labour income. Payments from a labour hire firm to contractors do not qualify for the automatic deduction yet the labour hire firm is required to withhold tax from the payments.

The Australian resident definition includes temporary resident such as New Zealanders living here permanently on a 444 visa. But it will not be available to our fly in fly out workers whose residence is actually in another country.

The $1,000 automatic deduction applies from the 2026 - 2027 tax return. It is important to note that this is not in addition to your normal tax deductions. If you choose the automatic tax deduction you cannot claim any tax deduction for the work related use of your car, costs associated with travelling for work including meals, accommodation, air fares, taxis and parking. The $1,000 deduction also means you cannot claim for your phone, home office expenses, laundry, purchase of protective clothing, licences, tools, depreciation of laptops etc, training, self-education and courses. In fact, you will lose the deduction for most work-related expenses. There is an exception for union fees and memberships of professional organisations, they will still be tax deductible. You will still be entitled to a tax deduction expenses not directly associated with your work like income insurance, tax agent fees, donations and expenses related to investment income.

Note if your “Labour” income is less than $1,000 you are only entitled to a tax deduction up to the amount of wages income you receive.

Very few people will be better off claiming the $1,000. It is not the freebie it has been painted as. Further, it is a tax deduction so how much you actually receive is determined by your tax bracket. For most people it will be worth $320 the higher your income the more it is worth and of course if you don’t have enough income to be taxable it is worth nothing to you. If you income does not exceed $45,000 at best it is worth $150.

We encourage you to continue to keep receipts as you never know what unexpected expenses you may incur. If you do opt for the $1,000 automatic tax deduction and only have wages income and interest, then you can easily do your own tax return through MYGOV. Don’t forget to claim our fee for preparing your 2026 tax return in the 2027 tax return at D10 (assuming the item numbers do not change).

For the majority it is going to be business as usual except that some concessions have been taken away. For example the $150 laundry deduction is no longer available. If you want to claim laundry you are going to have to keep a diary of all loads, track the cost of all the washing powder you use, keep receipts and also calculate how much electricity your washing machine uses. If you use a laundromat we recommend the modern machines that take card payment so you have a record.

The $300 concession to claim a deduction without receipts for laundry, protective clothing and equipment, tools, phone, home office, courses, stationery etc has also been removed. So, if for example you normally claim a few thousand in car expenses and just the $300 for other work-related expenses you will not be able to claim the $300 anymore. Unless you have receipts even though you won’t be using the $1,000 automatic deduction because you can get more claiming the actual cost of your car. So, if anything this has made receipts more important than ever for people who use their car for work.

Regardless of whether you use the $1,000 instant deduction or not, from 1st July 2026 you will no longer be able to depreciate tools etc costing less than $1,000 in a low value pool. Existing pools can continue but in future all tools and equipment intended to be used to produce assessable labour income and costing more than $300 will have to be individually depreciated. And of course the depreciation will not be able to be claimed if you choose the $1,000 instant deduction in any future years

Further Reading:
For some more information on record keeping methods should you decide not to utilise the $1,000 automatic deduction:
https://www.bantacs.com.au/Jblog/record-keeping-instructions/#more-1907
https://www.bantacs.com.au/Jblog/travel-allowance-substantiation-concession-more-work-than-substantiating/