

Directions

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Editorial Note

Welcome to the latest edition of the Pilot Directions newsletter.

With the Christmas break now well and truly behind us, the new calendar year has begun with several significant events. We've seen the first interest rate rise in 14 months, and turbulence across share markets and economies from further AI disruption and the expansion of global conflict; all of which will likely impact business owners and investors.

In other important news, hot off the back of Capital Gains Tax (CGT) turning 40 years old - as we discussed in our last newsletter - the CGT discount is currently under active review. The Labor Government has not ruled out changes to the discount, making the

review committee's findings highly consequential heading into the May Federal Budget.

Whilst environmental, social and corporate governance (ESG) regulations are shifting internationally, Australia's new reporting and governance measures are pushing ahead. In our first article this edition, our Corporate Advisory team outlines the requirements in the area of Greenhouse Gas emissions reporting, which is likely to be a complex process. We suggest planning well ahead of the deadlines, as discussed in the below article.

Our second article discusses a number of philanthropic structuring options which may be of interest should you be looking

to commit to longer term charitable financial support.

Our 'News & Insights' section provides the latest news and updates on a number of topics we trust you will find useful and interesting.

We hope you enjoy this edition.



M Howlett
MURRAY HOWLETT

Greenhouse Gas Emissions Reporting

Mandatory reporting of greenhouse gas ("GHG") emissions is here. Arising from Australia's adoption of international protocols and regulations, many Australian companies will have to start reporting their GHG emissions. Some have already started.

The requirements are being introduced in stages. Most Australian companies will fall into the third stage ("Group 3") and will only have to start reporting GHG emissions for financial years commencing on or after 1 July 2027. FY28 will be the critical year.

	Revenue	Assets	Employees	Start annual reporting from
Group 1	> \$500 million	> \$1 billion	> 500	1 January 2025
Group 2	> \$200 million	> \$500 million	> 250	1 July 2026
Group 3	> \$50 million	> \$25 million	> 100	1 July 2027

Note: Companies must meet at least 2 of the 3 criteria. Group 1 also includes entities registered under the National Greenhouse and Energy Reporting Act 2007.

By way of clarification, these new requirements apply only to companies which lodge financial reports with the Australian Securities & Investments Commission ("ASIC") and which meet the above size thresholds. Everyone else is exempt.

The reporting obligations are onerous and require numerical as well as narrative disclosures. The numerical disclosures require companies to estimate total GHG emissions arising from their entire supply chain. This means estimating the emissions produced directly by the company (called "Scope 1")

(e.g. by company-owned vehicles), the emissions produced by the company's electricity usage ("Scope 2") and all of the other indirect emissions produced by, for example, transport to and from the company, employee commuting and business travel ("Scope 3"). Scope 3 is the broadest and will be the most challenging to estimate. There are 15 specific categories of emission which a company must consider.

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Continued: Greenhouse Gas Emissions Reporting

There are also extensive narrative disclosures on governance, strategy, risk management, metrics and targets related to GHG emissions. All of this pre-supposes that a company has a strategy and a risk management framework in relation to GHG emissions as well as the policies, procedures and systems for estimating emissions.

One saving grace is that Group 3 companies are exempt from reporting Scope 3 emissions for FY28 and need only start reporting them in FY29. However, they must still report estimates of Scope 1 and Scope 2 emissions in FY28 in addition to all of the narrative disclosures.

All emissions estimates must have a supportable basis. This could mean capturing non-financial data from electricity bills, log-books, employees, suppliers, customers and external databases. In order to be ready from 1 July 2027, Group 3 companies must start planning now. The preparation will include:

- Staff training and up-skilling;
- Identification of appropriate carbon accounting software and databases; and
- Development of a strategy, risk management framework and the related policies and procedures to implement reporting.

In some cases, it may even be necessary to recruit dedicated staff or GHG consultants.

Some Group 3 companies may become subject to pressure to supply GHG data before FY28 from suppliers and stakeholders

who themselves are Group 1 or Group 2 companies and are already required to report.

By the way, GHG reporting will also need to be audited. The audit requirement is being introduced by stages until all GHG reporting will be audited by FY33.

GHG reporting will be difficult and it will not be cheap. Don't shoot the messenger.

Contact Pilot

GHG reporting will be complex so companies should seek professional advice early. To discuss your reporting requirements or for assistance in preparing for these changes, contact **Daniel Gill** or **Chris King** on (07) 3023 1300.

Philanthropic Structuring Options

Significant life events - such as receiving an inheritance, selling a business, or realising a major capital gain - can create opportunities to give to causes you are passionate about in a meaningful way. Your Pilot advisor can help you explore charitable-giving structures that suit your goals, how hands-on you want to be, and your long-term intentions. Often, contributing money to a philanthropic structure can reduce your tax too.

The table below outlines the key differences between a number of the available philanthropic structures, including Private Ancillary Funds, Public Ancillary sub-funds, and Charitable Companies. Each option requires different involvement, from minimal administration through to full strategic control. Each of the structures may also require support from other professionals including legal and financial advisors.

This table is designed to help you understand which approach may best align with your goals and the level of ongoing involvement that you'd like to contribute.

Contact Pilot

If you'd like assistance with your charitable-giving approach or want to ensure you're using the structure that best suits your situation, contact **Josh Meggs** on jmeggs@pilotpartners.com.au or speak with your Pilot advisor on (07) 3023 1300.

	Private Ancillary Fund	Public Ancillary Fund – Sub-fund	Charitable Company – Passive	Charitable Company – Active
When recommended	Often used when you wish to have a high level of control and responsibility over the fund and its assets and donations.	A cost effective method where you do not wish to be involved with fund administration or investment decisions but would still like to determine who benefits from the charitable donations.	Often used when you are making your contribution by way of distribution from a discretionary trust. Also used when you wish to have a high level of control and responsibility over the fund and its assets and donations.	
Contributions	Tax deductible for the donor.	Tax deductible for the donor.	To be tax effective, the contributions must come by way of trust distribution into the fund. Contributions by an individual will not be tax deductible.	
Annual distribution requirements	Generally 5% of the net assets as at 30 June of the prior year. Distributions must be to an approved deductible gift recipient.	Generally 4% of the market value of the fund's net assets as at 30 June of the prior year. Distributions must be to an approved deductible gift recipient.	No minimum requirement of amount. Distributions can be made to ACNC registered entities (which include both approved deductible gift recipients and other not for profit entities such as many religious or sporting organisations).	Used when you wish to directly provide services to people in need. This is the most expensive to run. It is similar to running a business, however, it is a not for profit organisation.
Controller requirements	The fund must have a responsible person who is an individual with a degree of responsibility to the Australian community (such as a judge, solicitor, accountant, Justice of the Peace, medical professional or religious practitioner). This person may charge for holding this role. You will also require at least two additional people to sit on the board (these may be family members).	You will have a low level of control in relation to how the money is invested. The funds will be pooled with other sub-fund holders and you can make recommendations for donations.	The fund must have 3 directors, at least one must ordinarily live in Australia.	
Ongoing compliance and costs	The fund will be required to prepare financial statements in accordance with Accounting Standards and submit them to a qualified auditor. There is also an ACNC submission. The accounting compliance costs are likely to be \$10,000 – \$15,000 + GST per annum.	Approximately 1-2.5% of the value of the account.	The annual cost will depend on the annual income of the fund (including contributions and investment earnings). The accounting compliance costs are likely to be \$10,000 – \$15,000 + GST per annum in years where the fund revenue exceeds \$500,000. In years where the revenue is less than \$500,000, the compliance costs are likely to be approximately half (\$5,000 – \$7,500 + GST).	
Setup costs	The establishment of the fund including out of pocket legal fees and registration with the ACNC and ATO is approximately \$7,500 + GST.	Generally minimal, although you may need a minimum initial contribution of around \$20,000.	The establishment of the fund including out of pocket legal fees and registration with the ACNC and ATO is approximately \$7,500 + GST.	

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News and Insights

PAYDAY SUPER: PREPARE NOW

As the July 1 deadline for Payday Super reforms approaches, some businesses might need to rethink their cashflow to meet the new requirements and avoid significant penalties. We recommend employers pick a date well before June to start making payday superannuation payments, and businesses should discuss plans with a tax professional to ensure the timing works and to iron out issues and plans for post-July 1. From April through June, employers should triple-check their payroll software systems. Superannuation clearing house users should also make sure their details are up to date. The time to start preparing is now to minimise your risk of non-compliance and to avoid the heavy penalties for non-adherence to the new payment rules.

END OF NEGATIVE GEARING HOLIDAY HOMES

The Australian Taxation Office (ATO) recently released a draft tax ruling that, if finalised, will deny tax deductions for the costs of holding a property, including interest, for owners who use their holiday home for private purposes. The draft ruling, TR 2025/D1, says that holiday homes that aren't used mainly for the production of income are considered "leisure facilities" in which case the tax deductions will be limited to those that directly relate to earning rental income, such as advertising costs. The costs of owning the property, such as mortgage interest, repairs and maintenance, land tax and council rates will no longer be available to affected owners. We recommend speaking to your Pilot advisor to discuss your personal circumstances regarding property that may be impacted by these rules.

PERSONAL SERVICES INCOME

Personal Services Income (PSI), Personal Services Business (PSB) and personal exertion are taxation terms that can often be misunderstood, which may lead to unforeseen tax issues and/or impact on your revenue earned. The debate on the potential application of the general anti-avoidance rule to 'alienation' arrangements involving these issues – where income is redirected or retained away from the individual performing the services, usually through another entity or associate - has recently resurfaced, following the release of the ATO's guidance, PCG 2025/5, late last year. As this is quite a complex area and further changes may still be evolving, we recommend you consult with your tax advisor to discuss your situation and structures to minimise the risks of being targeted by the ATO's compliance efforts.

Welcome to the Team

Pilot welcomes the following new team members.

This quarter we welcomed a number of new team members.

Harry Benson joined us as a Graduate Accountant in the Corporate Advisory team.

Tessa Howlett joined us as an Administration Assistant in the Admin Team.

Angela Lawton joined us as a Receptionist and Administration Assistant in the Admin Team.

Congratulations

Congratulations to our newly promoted Associate Director, **Amy Ramsay**. Amy joined Pilot as a Graduate Accountant, and has been with the firm for 9 years. Congratulations also to our newly promoted Managers **Sara Harriott**, **Rebecca Paterson**, and **Oliver Smeaton**. All three joined Pilot a number of years ago, Sara joining as an Undergraduate Accountant before progressing into our graduate program and Rebecca and Oliver joining the team as Graduate Accountants. We thank Amy and all of our new managers for their hard work and commitment to Pilot and look forward to them enjoying the challenge their new positions bring.

Happy Pilot Anniversary to a number of Pilot team members this quarter.

We're delighted to recognise **Jane Leeuwendal** for reaching an amazing milestone of 15 years since returning to Pilot. Jane originally joined the firm in 1986 before taking time away from Pilot to raise her family. Congratulations and thank you



Amy, Sara, Oliver & Rebecca

Jane for your many years of hard work and valuable contributions to your team and the firm. Happy anniversary wishes and congratulations also go to **Tom Howard**, who has celebrated 10 years with Pilot. Thank you Tom for your all of your efforts and the continued commitment you bring to Pilot.

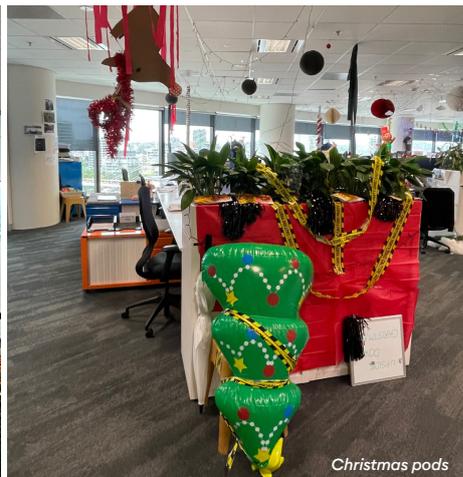
And rounding out our anniversary celebrations, **Stephanie Celere** marks 5 years with Pilot. Thank you Stephanie for the contributions you've made over this time.

Congratulations to **Ruby Moehead** who graduated with her Bachelor of Business (Marketing) and Bachelor of Design (Fashion) degrees from Queensland University of Technology last semester. Well done Ruby!

Socials & Events



Christmas pods



Christmas pods



Christmas pods



Christmas party



Christmas party



IWD lunch



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