Quick Reference Guide: Tax Deductibility of Financial Advice Fees

Refer to full guide:

Tax Deductibility of Financial Advice Fees: A Practical Guide to Implementation, May 2025

Purpose

This guide provides a summary of practical guidance on the deductibility of initial and ongoing financial advice fees, following the release of ATO Tax Determination TD 2024/7. Financial advisers, accountants and clients must work together to ensure claims are defensible, appropriately evidenced, and align with ATO guidance.

Key tax laws (ITAA 1997)

Provision	Scope	Application
Section 8-1	General Deductions	Advice fees directly linked to assessable income (e.g. portfolio management)
Section 25-5	Managing Tax Affairs	Advice fees related to managing tax affairs (e.g. super contributions, CGT planning, SMSF advice, etc)

What Is deductible?

Fee Type	Deductibility	Key points
Initial Advice Fees	Likely to be partially deductible under s 25-5 Generally not deductible under s 8-1	*Tax (financial) advice* fees are generally deductible ATO regards these fees generally as capital in nature
Ongoing Advice Fees	Partially or fully deductible under s 8-1 and/or s 25-5	Based on whether the advice relates to investments generating assessable income or managing tax affairs

Note: Fees paid from superannuation funds are not deductible to the individual.

Defining Tax (Financial) Advice

Tax (financial) advice involves advising clients on:

- Liabilities, obligations, or entitlements under taxation law.
- Topics such as superannuation strategies, CGT planning, investment structuring, gearing strategies, and SMSF advice.

(See Section 2.2 and Appendix 5.1 of the full guide.)

Apportionment Methods

This is not an exhaustive list of the possible methods of apportionment – other methods are available.

Method	Use when	Notes
Activity Basis	Detailed time-tracking or task recording is available	Need to allocate time/tasks to tax/income-related activities
Strategy Basis	Advice fees are strategy driven	Allocated based on tax relevance of strategies recommended
Insurance Premium Basis	Advice relates to insurance recommendations	Allocate based on premium split; income protection premiums and related financial advice fees are generally fully deductible

(See Section 3.2 and Appendix 5.3 for detailed worked examples.)

Substantiating a tax deduction

Financial advisers must:

- Provide an itemised invoice or fee summary detailing deductible and non-deductible portions
- Have a clear apportionment methodology

Clients must retain records (including the basis of apportionment) for a minimum of five years.

(Refer to Section 4 of the full guide.)

Best practice tips

- Use a fair and reasonable apportionment method.
- Collaborate with the client's accountant.
- Keep contemporaneous and robust records.
- Use the method most appropriate to the advice context, not simply the most favourable outcome.

(See Section 4.2 for detailed guidance.)

Exclusions and key warnings

- Fees paid from superannuation funds accounts are not deductible to individuals
- Advice fees must be apportioned between taxpayers (e.g. members of a couple)
- TD 2024/7 applies to individual taxpayers only, not companies, trusts, or partnerships.

Practical help

For templates, apportionment examples, SOA sample text, and FAQs, please refer to the *Tax Deductibility of Financial Advice Fees: A Practical Guide to Implementation, May 2025*.

Further resources

- ATO Tax Determination TD 2024/7
- ATO Financial Advice Fees Information
- ASIC Information Sheet 268 (INFO 268)
- TPB Guidance on Tax (Financial) Advice

(Further links provided in Appendix 5.7.)