ACCRUE®

CLEAR DECISIVE PROVEN

TAX MATTERS FOR MEDICAL & DENTAL PRACTITIONERS

2019/2020 SUMMER EDITION

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We are an accounting firm specialising in providing accounting, taxation and advisory services to medical and dental professionals. As a result of our many years of experience, we have a comprehensive understanding of the needs, issues and concerns that are unique to medical and dental professionals. Please refer to our website for further details, including client testimonials. Website: www.accrue.com.au

Welcome to our Summer Edition
Contents:

Minimising Capital Gains Tax on the sale of a holiday house

If you have a holiday house you bought after 20 August 1991, the cost base of the property includes the following, as long as they have not previously been claimed as a tax deduction:

- Interest on money borrowed to buy the property;
- Costs of maintaining, repairing and insuring the property;
- Rates and Land Tax;
- Interest on money borrowed to refinance the original borrowing on the property;
- Interest on money borrowed to finance any capital improvements to the property.

By including these costs, the cost base of the property is increased for Capital Gains calculation purposes. This has the effect of reducing the Capital Gains Tax payable on the sale of the property.

Of course, it is critically important that you maintain the records and documentation to substantiate these costs. This will mean retaining the documentation from date of purchase of the property until its sale, which may cover many years.

Tax considerations when commencing private practice

As an employee health professional, tax is withheld on your salary each pay period and remitted to the ATO on a regular basis. This generally means that when your tax return is lodged, no further additional tax is required to be paid. In fact, depending on your available deductions, you may receive a tax refund.

However, if you cease being an employee and enter private practice, your tax arrangements are very different. Until you lodge your first tax return for the year that you entered private practice, you are not required to pay tax on a progressive basis. When you lodge your first-year non-employee tax return, you will be required to pay tax on your net private practice income. As you will not have paid any tax on a progressive basis during that first year (i.e. PAYG Withholding or PAYG Instalment Tax), you will most likely end up with a large lump sum of tax to pay. To ensure you have the funds to pay this tax, it is best to set aside a proportion of your practice income each month (e.g. bank into a separate bank account).

Following the lodgement of your first year in private practice tax return, the ATO will place you into the PAYG Tax Instalment system. Being in the PAYG Tax Instalment system will mean paying tax on a quarterly basis, based on the amount of tax you paid in your last lodged tax return. Once again, setting aside funds each month to pay these quarterly tax payments is recommended.

Tax treatment of a lump sum payment received by a practitioner as an inducement to work for a particular clinic

With the rise in ‘super clinics’ many healthcare practitioners have received a lump sum payment as an inducement to work for a particular clinic.

The ATO take the view these lump sum payments represent ordinary assessable income and thus are subject to tax at the individuals marginal tax rates. To clarify their view, the ATO have issued a guidance entitled ‘Lump sum payments received by healthcare practitioners’.

Where the health practitioner is GST registered, GST will need to be remitted to the ATO in respect of the lump sum payment. Alternatively, where the practitioner is not registered for GST, the lump sum payment will count towards their GST turnover, when considering the $75,000 turnover threshold for GST registration.

How to benefit from the new carry forward of unused concessional super rules

As part of the recent superannuation reforms, the Government introduced a new concession allowing an individual to carry forward up to five years' worth of unused concessional super contributions from the 2019 year. Concessional super contributions include employer superannuation guarantee, salary sacrifice super and personal contributions for which a tax deduction has been claimed. An annual cap applies in respect of concessional super contributions of $25,000.

The first year an unused concessional contribution cap amount can apply is the 2019/2020 income year (i.e. unused cap from the 2018/2019 year).

To access the concession, both the following criteria must be satisfied:

- Your Total Superannuation Balance (TSB), which includes all your super fund member balances, must be less than $500,000 just before the start of the income year. (e.g. if an unused concessional contribution cap amount is to be applied in the 2019/2020 income year, your TSB must be less than $500,000 on the 30 June 2019);
- The unused concessional contribution cap amount must have accrued in one or more of the previous five income years. As a result, if an unused concessional contribution cap amount is not applied within the subsequent five income years, the unused cap amount will expire and is lost.

The unused concessional contribution cap amounts are applied in order, from the earliest year to the most recent year.

Commencing from the 2018/2019 year, a person's MyGov account will record their TSB and unused concessional contribution cap amount.

Example
In the 2018/2019 Year Sam's concessional super contributions amounted to $9,000. His carried forward concessional contribution amount is therefore $16,000 (i.e. $25,000 less $9,000). For the 2019/2020 Year, Sam's maximum concessional super cap amount available is $41,000 (i.e. $25,000 plus $16,000). For the 2019/2020 year, Sam's concessional super contributions could amount to $41,000, instead of the cap limit of $25,000.

Superannuation guarantee opt out where practitioner has multiple employers

If you are an employee health professional with more than one employer, you can apply to opt out of receiving Super Guarantee (SG) from some of your employers. This will help you avoid unintentionally going over the super concessional contributions cap (currently $25,000).

The opt out measures came into effect on 1 January 2020. You are eligible to opt out if you satisfy the following criteria:

- have more than one employer; and
- expect your employer's concessional super contributions to exceed your concessional cap for a financial year

A SG employer exemption certificate can be obtained by the completion and lodgement with the ATO of the 'SG opt out for high income earners with multiple employers' form.

It is important that you talk to your employer prior to making application for the exemption certificate. The reason being that your employer can disregard the certificate and continue to make SG contributions. It is important to note that the opt out measure may not benefit everyone who is eligible. Check with your accountant or adviser.

If you have any questions on the topics covered please contact Peter Roberson by email at peter@accrue.com.au or phone (02) 62854441