ACCRUE®

CLEAR DECISIVE PROVEN

TAX MATTERS FOR MEDICAL & DENTAL PRACTITIONERS

2020/2021 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/medical

Welcome to our Summer Edition
Contents:

If you have inherited an asset it may be subject to capital gains tax when sold

Capital gains tax generally does not apply at the time you inherit an asset. However, it may apply when you later sell the asset.

Whether capital gains tax applies on the disposal of the asset, will depend on the following factors:

- date the deceased person originally acquired the asset;
- the cost base of the asset;
- the amount the asset is sold for.

If the deceased person acquired the asset **before** 20 September 1985, the cost base of the asset is the **market value** of the asset as at the date of death of the deceased.

If the deceased person acquired the asset **on or after** 20 September 1985, the cost base of the asset is what the deceased person acquired it for.

Therefore, when you inherit an asset it is important you obtain from the legal personal representative of the deceased person's estate, the above information in respect of each asset.

Special rules apply to assets such as real estate, collectables and personal-use assets. Collectables include assets such as artwork, jewellery, rare coins and stamps which were acquired for more than $500. Personal use assets are those kept mainly for personal use or enjoyment, such as boats, cars and furniture which were acquired for more than $10,000.

Does your Self Managed Superannuation Fund (SMSF) own your practice's business premises?

The superannuation legislation does not preclude a practitioner's SMSF from owning the business premises from where the practitioner conducts their practice. However, to be compliant with the legislation, the following conditions must be satisfied on an ongoing basis:

- The practitioner must pay a fair market rental to the SMSF for the ongoing use of the premises;
- There is a documented lease agreement between the practitioner and the trustee of the super fund;
- The rental amount must be actually paid and not brought to account as an adjusting book entry;
- Rent is paid in accordance with the terms of the lease;
- Ownership of the business premises by the SMSF must:
  - be in accordance with the SMSF's investment strategy, and
  - satisfy the 'sole purpose test' of solely providing retirement benefits to fund members.

Do you borrow to finance that item of equipment or buy it outright using your own cash funds?

The answer to this question very much depends on your own circumstances. If you are just starting out in practice and have limited cash funds, purchasing outright may not be an option. If you have healthy cash reserves, there is the choice between buying outright or financing the purchase.
The pros and cons of buying outright versus financing are summarised below:

Buy outright

Pros

- Makes the transaction simple, with limited paperwork;
- You have full ownership of the item;
- No interest charges or regular repayments to worry about.

Cons

- Your capital is tied up in an asset which in most cases, is decreasing in value;
- Capital not being available to help fund practice growth or for potential future investment opportunities;
- Less cash being available to help support the practice during any unexpected downturns.

Finance

Pros

- Frees up your cash for other needs, i.e. practice growth and investments opportunities;
- Gives you use of the equipment without a large capital outlay;
- The interest and other charges associated with the finance are generally tax deductible;
- Enables access to perhaps better-quality equipment, which although costing more, may be of greater benefit to the practice.

Cons

- More paperwork and time involved;
- The additional cost of having to pay interest and other finance charges;
- Commitment to ongoing regular repayments.

The main types of equipment financing include:

- Leasing
- Hire Purchase
- Chattel Mortgage, and
- Commercial loan

Each type of finance has its own particular features. Choose the finance type that is appropriate for your particular circumstances.

Income protection insurance – do you need it?

You have worked and studied hard for many years to get to your current position. Have you ever considered how you would cope financially, if due to illness or injury, you were unable to work for an extended period of time? Would you have enough savings in place to meet your living costs and other financial commitments during this period? Perhaps you are able to be supported by your partner or family during your period of incapacity.

Income protection insurance covers you for loss of income if you are unable to work as a result of an injury or illness. The injury or illness you suffer may be temporary or permanent. Unlike other insurance policies that are paid as a lump sum, income protection claims are paid as a monthly benefit. You need to select the policy that satisfies your own particular needs and circumstances. The waiting period (how long you have to wait before you can make a claim), the benefit period and the benefit levels available, are the variable components of an income protection policy.

The premiums paid for income protection insurance are generally tax deductible, which is an added benefit.

What expenses can you claim when you attend a conference and tack on a holiday?

Adding a holiday at the end of a conference is not unusual, especially when the conference is held at some desirable location. Or perhaps family or friends live nearby and it is a great opportunity to catch up for a few days post the conference. If you have this in mind, it is important to know which expenses may be tax deductible and which are regarded as private and therefore not deductible. It is also important to know what records need to be maintained to substantiate the deduction claim.

You attend a 3 day conference held at Port Douglas, Qld. Afterwards you spend 2 days exploring the local sites and tourist attractions. You incur the following expenses:

- Conference registration fees - $1,500
- Airfares - $1,600
- Accommodation for 5 days - $1,000 (3 days for conference and 2 days for tourist activities)
- Meal, travel and incidentals while undertaking tourist activities after the conference - $500

Conference Registration Fees
If the conference is sufficiently connected to your business or employment, the conference registration fees are fully tax deductible.

Airfares
If you can establish the primary purpose of your trip is business or work related, you would be able to claim 100% of the airfares as a deduction. However, the more days spent holidaying relative to the days attending the conference, the more difficult it becomes to establish the primary purpose of the travel being business or work related. If the primary purpose can't be established, the airfare expenses would be deductible on a pro rata days basis.

Accommodation
The deduction would be a pro rata claim based on the 3 days of attendance at the conference, i.e. $1,000 x 3/5 = $600.

Travel, meal and incidentals expense (post conference)
These expenses would all be deemed private in nature and therefore not tax deductible.

Record Keeping
Written evidence needs to be kept for all conference related expenses incurred, i.e. invoices and receipts. If the conference event means you are away from home for more than six or more consecutive nights, you will need to keep a travel diary or similar document.

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

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