ACCRUE®
CLEAR DECISIVE PROVEN

TAX MATTERS FOR MEDICAL & DENTAL PRACTITIONERS

2021 SPRING 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.
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Welcome to our Spring edition. Topics covered:

- Service trust arrangements and the Instant Asset Write-off trap.
- Why you may not receive a tax rebate on your Private Health Insurance premiums.
- Not having Private Health Insurance may mean you are required to pay the Medicare Levy Surcharge.
- Shopping for a luxury car – be aware of the luxury car tax.
- ATO and Data Matching

Do you have a service trust as part of your business structure? Be aware of the Instant Asset Write-off trap.

By way of background, businesses that qualify as Small Business Entities (less than $10 million turnover) are allowed an immediate deduction for the full cost of an eligible depreciable asset, in the year the asset is first used or installed ready for use. The concession applies to assets acquired from 7.30pm AEDT on the 6 October 2020.

For practitioners who have a service trust as part of their business structure, take note. The instant asset write-off concession will generally **not apply** to depreciable assets acquired by the service trust, which are subsequently on leased to the practitioner. This means that depreciable assets acquired by the service trust would have the regular depreciation rules apply in accordance with Division 40.

Why you may not receive a tax rebate on your annual Private Health Insurance (PHI) premiums.

Whether you are entitled to a rebate on your PHI premiums will depend on the following:

- your adjusted income, or if you have a spouse, your adjusted family income; and
- the age of the oldest person covered by your policy.

'Adjusted income' includes taxable income, reportable concessional superannuation contributions, reportable fringe benefits, financial investment losses as well as rental property losses.

The table below sets out the PHI tax rebate income thresholds and percentages that apply for the 2021 Income year:

		Tier 1 Aged Under 65 (Rebate)		Tier 2 Aged 65-69 (Rebate)		Tier 3 Aged 70+ (Rebate)	
Singles (Income)	Families (Combined Income)	Period 1/7/2020 - 31/3/2021	Period 1/04/2021 - 30/6/2021	Period 1/7/2020 - 31/3/2021	Period 1/04/2021 - 30/6/2021	Period 1/7/2020 - 31/3/2021	Period 1/04/2021 - 30/6/2021
Up to $90,000	Up to $180,000	25.059%	24.608%	29.236%	28.710%	33.413%	32.812%
$90,001 - $105,000	$180,001 - $210,000	16.706%	16.405%	20.883%	20.507%	25.059%	24.608%
$105,001 - $140,000	$210,001 - $280,000	8.352%	8.202%	12.529%	12.303%	16.706%	16.405%
Above $140,001	Above $280,001	0%	0%	0%	0%	0%	0%

If you are claiming the PHI Tax Rebate direct from your health fund by way of reduced premiums, and you are not entitled to the rebate, you will be required to pay back the amount via your income tax assessment.

If your adjusted income as a single person is above $140,000 and you are aged under 65 years, you will not receive a PHI Tax Rebate.

If you do not have Private Health Insurance (PHI) you will most likely be required to pay the Medicare Levy Surcharge

If you do not have a suitable level of PHI cover, when you lodge your income tax return you may be required to pay the **Medicare Levy Surcharge**. The surcharge amount will be an extra 1%, 1.25% or 1.5% levy on your 'adjusted income'

The table below sets out the Medicare Levy Surcharge income thresholds and percentage rates applying for the 2021 Income year:

Threshold	Base Tier	Tier 1	Tier 2	Tier 3
Single	$90,000 or less	$90,000 - $105,000	$105,001 - $140,000	$140,001 or more
Family	$180,000 or less	$180,001 - $210,000	$210,000 - $280,000	$280,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.50%

If you have two or more dependent children, the family income threshold is increase by $1,500 for each child after the first child.

Shopping for a luxury car? Be aware of the luxury car tax.

The luxury car tax (LCT) regime has been with us since the year 2000. It is a tax on cars with a GST inclusive value above a certain threshold. The rate of tax is 33% on the amount above the threshold. Although the luxury car tax is paid by the motor vehicle dealer, the tax amount is added to the sale price of the vehicle. So, it is the purchaser of the vehicle who ultimately bears the LCT. The LCT can also apply to an individual who imports a luxury car.

The key features of the LCT:

- the thresholds for the 2021/2022 year are:
  - Fuel efficient vehicles - $79,659 (a fuel-efficient vehicle is one that has a fuel consumption that does not exceed 7 litres per 100 kilometres, as a combined rating
  - Other vehicles - $69,152
- applies to cars that are two years old or less
- for second-hand cars less than two years old, a LCT credit is allowed for the LCT when first paid. So, unless the vehicle has increased in value, no LCT is payable.

The LCT does not apply:

- where the car was imported two years before sale
- the car is registered as an emergency vehicle, such as an ambulance or police vehicle
- to motor homes, campervans and commercial vehicles designed mainly for carrying goods and not passengers
- to cars modified for people with disabilities

Strategies that can be used to reduce or avoid LCT:

- purchase a fuel-efficient car, as the threshold is higher (i.e., $79,659)
- omit some of the vehicle options to reduce the vehicles purchase price
- purchase a vehicle older than two years

ATO and Data Matching

The ATO's data matching program is designed to detect undeclared income. If undeclared income is detected, significant penalties and interest charges will most likely be imposed. Additional tax will also be imposed on the undeclared income.

Over the years there has been a significant increase in the type of information the ATO obtains electronically from third party sources in respect of taxpayers. The information obtained will more often than not, show up on the taxpayers ATO Prefill Report. The ATO will match the information they have against that recorded in the taxpayer's tax return. If there is a data matching discrepancy, the ATO will contact the taxpayer for an explanation.

Below is a listing of some of the ATO's sources of data matching information:

- employers (employee remuneration)
- financial institutions (interest income)
- share registries (dividend income)
- stock exchange & share registries (share sales)
- real estate agents (rental Income)
- land titles (property sales)
- online selling (such as eBay)
- sharing economy accommodation platforms (such as Airbnb)
- cryptocurrency designated service providers (sales & purchases)
- state and territory motor vehicle registering bodies (sales & purchases)
- international Treaty partners (foreign source income)

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

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