

And you thought 50% discounts only applied to shopping

By Albert Gigl, Managing Partner, MW Partners Chartered Accountants

But if you want to take advantage of the Government's increased investment allowance, you have to get the timing right. This is just one of a number of changes announced in the 2009 Budget that will have an impact on dentists' effective taxation planning.

1. Small Business Tax Break

Also known as the investment allowance, this will increase from 30% to 50% for small business taxpayers whose gross income is less than \$2million. The 50% one-off bonus deduction is available to businesses with an ABN that purchase eligible assets between 13 December 2008 and 31 December 2009, provided the asset is installed or ready for use before 31 December 2010.

An eligible asset must be new, principally used for business, owned by the taxpayer and able to have 'normal' depreciation claimed on it. At the time of writing, legislation had not yet been passed and reliance was placed on documents released by Treasury.

Dentists should seek professional advice before purchasing major assets to ensure they comply with Regulations and can get the 50% tax break. Issues identified to date include:

- The purchase of computer software will not get the tax break because it is not a tangible asset.
- Demo model motor vehicles may not get the tax break as they may not be 'new'. Treasury documents have noted that a demo car will be considered 'new' where it has only been used by the dealership for reasonable 'testing and trialling'.
- The luxury car limit applies and, therefore, the maximum tax break for a luxury car will be \$57,180 @ 50% = \$28,590.
- Leased assets may not get the tax break as they are 'owned' by a finance company not the dentist.
- Motor vehicles where the dentist would normally claim a tax deduction based on the cents per kilometre method will not meet the rules for getting the tax break. The dentist would normally need to keep a motor vehicle log book to support business use in order to get the 50% tax break.

2. Superannuation Co-Contribution

The Government co-contribution will be reduced from \$1.50 per dollar of superannuation contribution to just \$1.00 per

dollar from 1 July 2009 (for 3 years). To receive the maximum co-contribution of \$1500, a taxpayer must earn less than \$28,980 and make a personal super contribution of \$1,000 before 30 June 2009. The contribution may not be salary sacrificed or one which the employee intends to claim as a tax deduction.

3. Tax Deductible Super Contributions

After 30 June 2009, the maximum tax deductible super contribution limits of \$50,000 for under 50's and \$100,000 for over 50's, will be halved. It is critical, especially for those close to retirement and wishing to boost their super, that contributions are made to the maximum level before 30 June 2009.

4. Individual Tax Rates

As individual tax rates will fall again in 2009/10, it is important to maximize your deductions this year and, if possible, defer income to next year when the tax rates are lower. Dentists contemplating incorporation to take advantage of the lower 30% company tax rate should be aware that individual tax rates do not exceed an average of 30% until income exceeds \$135,000.

Individual rates for 2009/10

Taxable income (\$)	Tax payable (\$)
0 – 6,000	Nil
6,001 – 35,000	Nil + 15% of excess over \$6,000
35,001 – 80,000	4,350 + 30% of excess over 35,000
80,001 – 180,000	17,850 + 38% of excess over 80,000
180,001 and above	55,850 + 45% of excess over 180,000

5. Tax Traps

There are a number of other tax changes that could trap the unaware.

- From 1 July 2010, unclaimed superannuation from small accounts of less than \$200 or accounts that have been inactive for five or more years will transfer to the Tax Office.
- In the future, where a dentist earns more than \$250,000 and also has a second business which makes a loss, that loss will no longer be tax deductible.



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- From 1 July 2010, trustees of family trusts will need to withhold tax from distributions paid to children who do not have a tax file number.
- From 1 July 2009, Australian resident dentists, who work overseas, will need to report and pay tax on their foreign earnings, which previously were tax exempt. The only exception will be where the dentist is working for a recognised charity or government aid organisation.

When it comes to more complex taxation and financial issues, "She'll be right mate" is not an attitude you can afford to have. The Government will provide the Tax Office with an extra \$595 million over four years to fund compliance and audit activities.

Make sure you seek advice from someone who really understands the taxation and accounting needs of dental practitioners and practice owners.

If you would like to discuss your financial or tax affairs and are a member of the ADAVB, your first consultation is completely free of charge. Please call **03 8825 5400** to make an appointment.



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