

When times are tough – ask for help!

By Albert Gigl, Managing Partner, MW Partners Chartered Accountants

Advances in technology over the past decade mean that information is instantly available at everyone's fingertips. It has also meant that the financial crisis became global very quickly.

While Australian politicians and economists avoid using the "R" word (recession) and try to soften our expectations of the pending financial gloom, the USA, UK, Japanese, German and French economies have all plunged into recession, with more to follow.

To control the Australian economy, the Australian Government must think and act fast. Therefore, over the next year, you will see a steady stream of assistance packages being announced on what might almost seem a weekly basis.

To minimise the effect the global financial crises could have on you, your family and your business, you must plan ahead, budget and be on the lookout for Government incentives that may apply to you.

Investment Allowance

In December 2008, the Government announced a 10% investment allowance as an incentive to business to invest in capital. The investment allowance is an additional tax deduction of 10% on the purchase of new business assets such as dental chairs, equipment, motor vehicles and other assets which are depreciated. To qualify, the asset must cost more than \$10,000 and be purchased before 30 June, 2009.

The investment allowance will still apply where the asset is held under a contract signed before 30 June, 2009 or construction commenced before that date, provided the asset is ready for use before 30 June, 2010.

The full 10% tax deduction, plus any depreciation that applies to the asset, is claimed in the first year that the asset is used in the business.

As with all major purchases, professional advice should be sought with respect to your own individual circumstances.

The incentive is not yet legislated and, therefore, conditions for gaining the incentive can seem vague at this stage.

For example, the asset purchased must be new, so a second-hand motor vehicle would be excluded. But what is the status of a demonstrator model? Assets which are financed by a lease are also likely to be excluded.

PAYG Tax Installment Reduction

Also announced by the Government last December, was a 20% cut in the quarterly pay-as-you-go (PAYG) installment for the December 2008 quarter. This means that if your yearly tax liability is \$60,000, and you would normally pay \$15,000 each quarter as an installment of your income tax, the amount you will need to pay for the December 2008 quarter will fall by \$3,000 to \$12,000.

It is important to note that this measure only applies to small business taxpayers with a turnover of less than \$2,000,000, who do not calculate their own installments by using the installment rate notified by the Tax Office.

Other Measures

There has been quite a lot of speculation that the Government may decide to bring forward tax cuts, which would be great if your income is steady or rising, but only of marginal assistance if income is falling.

If tax cuts are announced and you operate a dental practice with employees, you must ensure you know when they apply from and reduce the tax withheld from your employees' wages from that date.

Another incentive the Government may introduce is training rebates, or employment incentives, to assist in combating unemployment problems. Given the current shortage of dental assistants, this may present an opportunity to practice owners if circumstances are right.



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Other measures can be those you implement yourself and, as outlined in my November article on tax strategies, you should consider:

- lodging your tax return as late as possible;
- reducing your quarterly tax installments where your current year income is going to be less than the previous (assessed) year; and
- delaying making superannuation contributions for yourself until late in the financial year.

Professional advice

MW Partners are experts on the tax issues faced by dentists and advise a range of health professionals on accounting matters.

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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