

Tax Tips For Today And Tomorrow

Taxation changes happen every day whether it's through legislative change or the issue of taxation rulings or from case law and it is important not to presume that what was done yesterday is still effective today (or tomorrow). The following is a compilation of tax issues that should be considered when preparing your 2013 income tax return and also be aware of in planning your tax affairs for the future.

\$2000 Self- Education Expenses Cap

On 13th of April 2013, the then Treasurer announced that, from first of July 2014, the Government would introduce a \$2000 annual cap on work-related self- education expense deductions. The Government subsequently released a discussion paper on this proposal, and has had numerous discussions with various professional bodies which at this point in time has only deferred the potential start date to 1 July 2015. The main issues are;

- a) The proposed \$2000 education cap will apply to a sole trader but it does NOT apply to an employee (where the expense is paid by the employer). This means where a sole trader operates through a company or trust and is employed by those entities they will effectively not be subject to the \$2000 education cap.
- b) Dentists are required by their governing body to undertake continuing professional development to maintain their registration and the \$2000 education cap is considered grossly inadequate to cover the legitimate self- education costs.
- c) Specialists are often forced to travel overseas to attend conferences which are not held in Australia or only held irregularly .
- d) Dentists practising in a regional or rural area are at a disadvantage because they are forced to incur high travel costs in order to meet their CPD requirements.
- e) The \$2000 education cap is a disincentive for all professionals to improve their practicing standards.

The best advice for dentists is to ensure they keep their CPD up to date, don't delay undertaking courses/ seminars and training and where the self- education costs are high to ensure that appropriate records, invoices and receipts are kept to substantiate the expenses.

FBT On Motor Vehicles

Following my article on the proposed changes to the method of calculating fringe benefits tax on motor vehicles which was shown in the September edition of the ADAVB magazine ,it is now understood that these changes will not be legislated. Dentists should be aware however, that where they operate through a company or a trust, and that entity provides a motor vehicle, then fringe benefits tax **will** apply. Dentists should discuss this with their accountant so that they are fully aware of the fringe benefits cost that applies to their motor vehicles. Given changes that were announced in the May 2011 Federal Budget, we have found that it is not cost efficient to purchase a luxury motor vehicle in a company or trust.

Tax Refunds

From 1 July 2013, individual tax refunds will no longer be issued by cheque and dentists will be required to provide bank account details so that the refund can be deposited by EFT. While this is a more secure way of providing the refund, tax payers should be aware that the bank account details should only be provided to the tax office via the electronic lodgement of their tax return. Under no circumstances should the bank account details be provided by email or should credit card details be provided as there has been an increase in fraudulent activity in this area.

Tax Office Focus

The Tax Office will focus on small businesses including dental surgeries under the guise of “helping and assisting” to ensure that the business is not over claiming deductions, correctly claiming any CGT concessions they are entitled to, reporting and paying their PAYG withholding tax and paying the 9.25% superannuation contributions for employees on time. It is important to note that the Tax Office have advised that they will investigate **EVERY TIME** an employee tells them that their employer has not paid their superannuation guarantee entitlement. The Tax Office will also investigate employers who they believe are intentionally trying to avoid their tax and super obligations by improperly treating workers as ABN contractors rather than employees.

Tax Write-Offs

Small businesses and dental practices that turnover less than \$2 million can take advantage of the following tax write-offs from the 2012/13 income year onwards;

a) a dental practice or ABN contractor can immediately write off most new depreciating assets costing less than \$6500.

b) a dental practice or ABN contractor that purchases a new or used motor vehicle after 1 July 2012 can now claim an additional deduction of up to \$5000 in the income year it is purchased. The balance of the purchase price after the \$5000 has been deducted is then added to the general small-business depreciation pool and depreciated at 15%.

Finally, assets originally owned prior to 1 July 2012 plus assets purchased for more than \$6500 can now be added to the general small-business depreciation pool and, where they are a new asset, they are depreciated at 15% for their first year and where they are an existing asset they are depreciated at 30%. In subsequent years all assets within the pool are depreciated at 30%.

If you are unsure whether you are getting the specialist taxation advice that you require, you can call Albert Gigl or any of the accountants at MW Partners to discuss your particular circumstances and we will ensure that you are not paying more tax than you need to. As a member of the ADAVB, there is no charge for your first consultation and all you need to do is call (03) 8825 5400. For your convenience MW partners is located on the same floor as the ADAVB at 10 Yarra Street, South Yarra.