

Tax and wealth should be simple

- ✓ Earn more
- ✓ Spend money wisely
- ✓ Manage your risks
- ✓ Pay less tax
- ✓ Enjoy life

Tax is never the sole focus of a decision. A good financial decision must align with your goals, risk profile and wealth plans after which we review and optimise for tax.



You have a limited amount of time so put tax in perspective – you will earn more money seeing another billable patient or derive more happiness spending time with your family than filing a receipt for a \$1 stamp.

With our **accounting and bookkeeping support** you have more time to earn, your year end tax is quick and effective and you'll have accurate and timely financial information at your fingertips.

Contact us today to improve your financial position.

Good Practices Tips

- Keep good records.
- Ensure there is a link to your income earning.
- Apportion business vs personal use.

Deductions summary

Deductible	Non-Deductible
Accounting fees	
Software subscriptions	
Insurance – business and income	Insurance – life, trauma, TPD
Motor vehicle – work related use	Motor vehicle – driving to and from work
Professional development	Training for a new job or career change
Plant and equipment	
Consumables – masks, gloves, swabs, etc	
Medical body registration fees	
Charitable Donations	Dinners, raffles and auctions
Superannuation contributions (within limits)	
Mobile phone expenses	
Negatively geared investments	Investment loan withdrawal for private use
Work specific clothing	Normal business attire

Minimise your Tax – Record Keeping and Deductions in Detail

There are many nuances in the tax legislation, however in essence¹:

You can deduct from your assessable income any loss or outgoing to the extent that:

- (a) *it is incurred in gaining or producing your assessable income; or*
- (b) *it is necessarily incurred in carrying on a business for the purpose of gaining or producing your assessable income.*

To incur an expense, you must have spent the money yourself and not been reimbursed by your employer. Your expenditure must be linked to earning your income, so private expenses are not deductible.

Work-related self-education

Continuing professional development expenses are deductible. Work-related self-education is a key claimable expense for medical practitioners.

Education must be related to increasing your income earning capacity in your current role.

General Work-related Expenses

These are expenses that you incur in the process of earning your assessable income.

- Membership fees and annual registrations for professional associations
- Journal subscription fees
- Equipment such as a stethoscope, a laptop, an examination table

Mobile Phone Bill

A common deduction is your mobile phone bill - this has complications if your phone is for both work and personal use. The [ATO has guidelines](#) to work out the percentage of work use over a representative four-week period on which to base your deduction total for the whole year.

Home-based Work Expenses

As an employee medical practitioner, when you work from home, you can claim for expenses such as using your computer, phone, printer and internet

for work purposes. You must be able to justify how you came to your assessment of work related use where you have a mix of work and private use.

Cost of Managing Tax Affairs

Accountant's fees for consulting and completion of your tax return are claimable. You can also claim costs for software used to manage your tax affairs such as a Xero cloud accounting subscription.

Work-related Clothing

If you wear a uniform, protective clothing or other specialised work items, you can claim for the cost of purchase and laundry. If your employer provides your scrubs and manages the laundry then you haven't incurred an expense. You may also claim special footwear and protective items required for work.

Standard clothing or a tailored suit or outfit for a conference presentation, however stylish, does not qualify for a deduction on purchase or dry cleaning.

Vehicle and Travel Expenses

Travel between home and work is a private expense.

Travel costs between places of work such as traveling between hospitals or medical centres for work or a home visit to a patient are deductible expenses.

Other claimable travel expenses include work travel to remote, rural, or interstate areas, and travel for work related functions and events. You can use the cents per kilometre or logbook methods.



- **Cents per kilometre** is the simple choice. Take total kilometres you drive for work in a financial year and multiply it by the ATO rate (68 cents for FY20 and 72 cents for FY21) to calculate your deduction. You can claim up to 5,000 kilometres per year, per car. You don't need a logbook, but this isn't an automatic gift of 5,000km and you need to be able to justify your travel with reference to a diary, work rosters or the like.
- **A logbook** is appropriate where your business travel is high, your expenses are high and you are good at keeping records. We work out the

¹ section 8-1 of the Income Tax Assessment Act 1997

business use percentage across all your expenses for using the car such as fuel and oil costs, insurance, servicing and decline in value. You need to keep a logbook with the odometer reading for the given logbook period which should be a representative 12 week period during which your record all travel. You must keep records of all expenses incurred during the year. There are apps available to make this easier.

If you have bulky tools or equipment that you need for work, they can't be left at your workplace and they are too large to conveniently transport except by car, then travel to and from work may be deductible. Note that a laptop and a briefcase are not considered bulky tools and equipment so this is the exception rather than the rule.

Work Related Travel Expenses

If you attend and present at a function or conference, your travel and expenses may be deductible – however when you add your own leisure travel onto the itinerary then your travel deduction will be apportioned.

Insurance

Most insurances such as professional indemnity, public liability and business insurances are deductible. Income protection insurance, cover for audits and inquiries by Medicare and tax audit cover are also deductible.

Life and trauma cover are worth having to protect your family future but are not deductible because they are incurred to protect you personally or to provide for your dependants rather than as a necessary part of earning income. We can introduce you to professionals who can assist you in this process.

Gifts and Donations

To claim a deduction, donations must be over \$2 in value and the charity must be registered as a deductible gift recipient.

At Porters CA, our chosen charities are for cancer research.

If you buy a fundraising-dinner ticket, a charity golf day or you buy an item at a charity auction, the expense is not deductible as you received a personal benefit in the exchange.



Investments

A negatively geared property or a loan to buy shares or other investments are the most common investment deductions. You buy an investment with the intention of earning income. If there is no expectation of income, then your loan is unlikely to be deductible against other income. It may be capitalised against your investment for use in future capital gains calculations.

Your loans must be kept clean. A loan for investments should be just that, don't feel tempted to buy a personal car or boat from investment loans. If you need a second loan we can work with you and a preferred finance broker.

Make a Plan and Get Started



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first discussion to find out more.