

Dental Wealth

Making Your Finances Sparkle

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Welcome To Dental Wealth!

Welcome to the first edition of **Dental Wealth**, Cutcher & Neale's dedicated financial newsletter specifically tailored for Dental Practitioners.

Cutcher & Neale have been a trusted partner and advisor to our **Healthcare Professionals for over 50 years**. We currently **manage over 250 Healthcare Professionals** and it is from this dedication that **Dental Wealth** is born.

Dental Wealth will provide you with a jargon free, easy to read overview of what you need to be addressing to ensure that your business and personal finances are in a strong position.

We will be looking into areas such as:

- The most effective way to structure your practice
- Various tax issues and how they effect you
- Options to expand your practice
- Key strategies to reduce your debt
- The latest in investment news

and concise updates of the latest super, investment and accounting changes specifically relating to you.

Written by our team from the **Specialist Dental Division**, we sincerely hope you find this publication of value.



The Dental Wealth Team from left to right Warwick Turnbull, Juliane Walsh, Jarrod Bramble.



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Interest on your Home Loan – Can it be Tax Deductible?

Do you have a substantial private home loan or other debts?

Are you in practice as a sole trader?

If your answer is yes there are ways in which you can **structure your finances to rapidly reduce your private debt.**

How does this work?

Basically what you do is apply all of the money you would normally save towards paying the tax on the income from your sole trader business to reducing your home loan. Then when it is time to pay your tax you draw down another loan and the interest on this loan becomes tax deductible. Overall your debt position is similar however a portion of your total borrowing is now tax deductible!

Effectively what it means is that your non tax deductible personal debt is reduced rapidly and interest payments on your 'tax debt' are now tax deductible.

Land Tax Threshold Abolished

From 1 January 2005, the \$317,000 tax free threshold which previously applied has been abolished.

The new law states your 2005 NSW Land Tax liability will be assessed at the following rates:

TAXABLE VALUE OF LAND OWNED	RATES OF LAND TAX PAYABLE
Not more than \$400,000	0.4 cents for each \$1
More than \$400,000 but not more than \$500,000	\$1,600 plus 0.6 cents for each \$1 by which the taxable value exceeds \$400,000
More than \$500,000	\$2,200 plus 1.4 cents for each \$1 by which the taxable value exceeds \$500,000

If land is subject to a **special trust**, or is owned by a **non – concessional company**, land tax will be charged at the rate of 1.4 cents for each \$1 of the taxable value.

You **may be liable** for land tax if you own or part–own any of the following property types in NSW:

- vacant land – including vacant rural land
- a holiday home
- an investment property
- company title units, or
- residential, commercial or industrial units

Land that is used and occupied as your **principal place of residence** and for no other purpose is **exempt from land tax**, regardless of its land value. Where a principal place of residence is used for any other purpose, that **proportion not used** as the residence of the owner **is liable for land tax.**

If you have not yet received a Land Tax Assessment from the Office of State Revenue it may be an idea to **lodge an Initial Return** to ensure you have fulfilled your land tax obligations by visiting www.osr.nsw.gov.au or **contact our office.**



Your Practice Structure – Is Incorporation For You?

One of the most frequently discussed issues by practitioners is **whether their practice should operate as a company**. In this issue we discuss the advantages and disadvantages of incorporation and outline the **important points to consider**.

Advantages

- **Provision of Superannuation Benefits**

When the **practice is incorporated**, the practitioner becomes a company employee, enabling the company to claim an outright deduction for contributions paid on their behalf (provided they are within the Reasonable Benefits and Aged Based Limits).

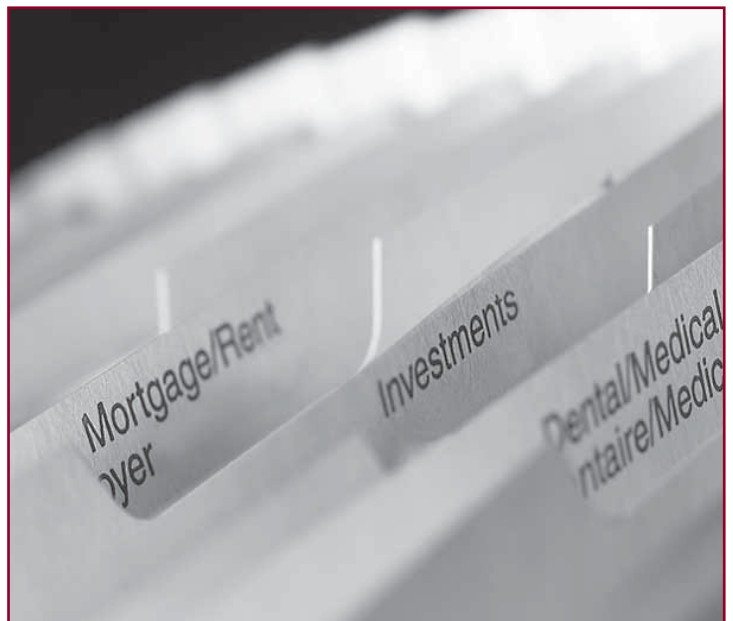
A self-employed practitioner on the other hand, will face a limited deduction for superannuation of \$5,000 plus 75% of excess contributions over \$5,000.

Further, if a **self-employed practitioner** receives superannuation support from some other source, a deduction may be possibly denied for any of the practitioner's personal contributions.

- **PAYG Withholding tax** is required to be deducted from the practitioner's earnings paid by the company, thus reducing or possibly eliminating the reliance on the practitioner making personal PAYG Instalments.
- Possible benefits of the **company providing motor vehicles** where the practitioner's business use is low and/or providing a vehicle to the practitioner's spouse.
- **Asset protection** for claims arising from the negligence of others.
- Overseas and domestic **travel allowances** may be paid to employed practitioners, avoiding the need to substantiate travelling costs, such as meals and incidentals when attending conferences or when on other work related matters.

Disadvantages

- **Cost of establishment**, which include legal fees and the purchase of Shelf Company, can total approximately \$1,700 to \$2,000 (GST inclusive).
- Increased **cost of administration** for the company to comply with Australian Securities and Investment Commission requirements.
- With larger practices, the **additional salaries** that will be payable to the practitioner as a result of incorporation may result in an increase in the amount of state payroll tax and workers compensation premiums.



Did You know?

Super Aged Base Contribution Limits for 2004 – 2005 are as follows:

Recipients Age	Employee Contribution	Self-Employed Persons (Tax deduction \$5,000 + 75% of excess)
Under 35 years	\$13,934	\$16,912
35 - 49 years	\$38,702	\$49,936
50 years and over	\$95,980	\$126,307

'Age' is determined on the date of the last contributions made in the financial year.

- Employers are not required to make compulsory Superannuation Guarantee Contributions (SGC) for employees over the age of 70.
- Death or disability cover is fully deductible when held and paid in the name of a complying superannuation fund.
- If you are registered for GST and sell or trade—in a motor vehicle that is used in relation to your business you are required to collect GST as 1/11th of the sale price and remit this to the Tax Office.
- The Luxury Car Limit for the 2005 Financial Year is \$57,009 (GST exclusive).
- Reasonable Travel Allowance guidelines for the 2005 Financial Year can be found on the Australian Taxation Office website www.ato.gov.au in their legal database under TD 2004/19.

Just a reminder of the substantiation requirements outlined by TR 2004/6. These cover work-related travel allowance expenses covered by the allowance where the taxpayer is required to sleep away from home when travelling for work.

	Domestic Travel		Overseas Travel	
	Written Evidence	Travel Diary	Written Evidence	Travel Diary
Travel allowance received and:				
The amount claimed does not exceed the reasonable allowance amount				
- travel less than 6 nights in a row	No	No	No	No
- travel 6 or more nights in a row	No	No	No	Yes
The amount claimed exceeds the reasonable allowance amount				
- travel less than 6 nights in a row	Yes – for the whole claim	No	Yes	No
- travel 6 or more nights in a row	Yes – for the whole claim	Yes	Yes	Yes

Tell Us More...

Is there something you would like us to write about? We are always on the lookout for new article ideas and welcome your suggestions for future newsletters. Email your suggestions to dentalwealth@cutcher.com.au If you would like to receive future editions via email, please email us your previous contact details and preferred email address to dentalwealth@cutcher.com.au

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