



## Welcome

Perhaps one of the most important aspects of running a business is keeping up with changes to the tax regime.

While major policy changes can cause problems, they're usually widely canvassed in the media so usually contain few surprises by the time they're implemented. It's more likely to be the ongoing tweaks and adjustments that catch out the unaware, so it pays to stay vigilant and informed.

Please don't hesitate to contact us if we can help.

**Jarrod Bramble**  
PARTNER

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## Proposed GST changes could leave you in the red

**For most practices, billing a third party such as the Department of Veterans Affairs (DVA) for medical services delivered is a common occurrence. The patient receives the service, the DVA receives the bill then the practice receives payment from the DVA. All pretty straightforward – up until now.**

Such transactions are currently considered by the ATO to be GST exempt. However, under proposed changes, a transaction where payment comes from a party other than the patient is likely to attract GST and with that comes the risk that someone will lose out in the deal. That someone could be you if you're not fully aware of the new situation.

Here's a simplified example to illustrate the potential issue.

Let's say you provide a medical service to a DVA patient for \$100. Under the current rules, no GST applies so you bill the DVA for the full \$100. They in turn pay you the \$100.

When the new rules come into force, you'll need to add 10% GST to your DVA bill (now \$110) and pay the ATO their due (\$10). If you simply bill the \$100 fee without adding GST, guess who still has to pay the ATO their \$10? The net result is that instead of pocketing \$100 for your service, you end up with only \$90. Not good, especially when you multiply that by a number of such transactions across your practice.

Now, we must make it clear that there's still a lot of detail to be clarified. The ATO is working closely with government agencies that subsidise health services, such as the Department of Health and Ageing and the DVA, to determine if any of their arrangements are impacted and, if so, which arrangements. We also understand that certain supplies made to health insurers in the course of settling health insurance claims will remain GST-free.

It's likely that the new rules will be implemented in December. However the ATO will provide a three month grace period to allow affected taxpayers sufficient time to make necessary changes to their practices and systems.

GST is a complex area with pitfalls aplenty for the unwary. As a medical practitioner, it's crucial that you're fully aware of any GST changes and that you've made the necessary adjustments to your internal processes. That's where we can help.

**If you'd like to discuss the proposed changes and the impact this may have on your practice, please don't hesitate to contact us.**

GST is a complex area with pitfalls aplenty for the unwary.





# Grants – where did the money go?

It seems odd that the government would provide generous grant funding to medical practices for infrastructure upgrades, the provision of GP Super Clinic style services and the strengthening of team-based care services, then take back a big chunk via the tax system.

But that's exactly what can happen.

In certain circumstances, grant funding received by a medical practice may be included as assessable income. If that practice is operated via a service trust structure, the resulting tax impost could effectively reduce the actual amount of funding by as much as 40%.

This is hardly what you might call effective funding.

There may well be a hidden tax liability for the beneficiaries of the service trust operating the medical practice. Add to this the fact that under Grant funding agreement, the government may require the Grant funding to be repaid to the Department of Health and Ageing and one begins to re-think the benefits of seeking such funding.

The government does provide a small reprieve, allowing the amounts previously treated as assessable income and subsequently repaid to be treated as not assessable and also not exempt. This means that prior year income tax returns may be amended to adjust the assessable amount. There is also a special provision to allow such amendments to be made beyond the four year period time limit.

So perhaps that Grant isn't as good a deal as it first seemed. On the other hand, 60% of free cash is 60% better than nothing.

**If you would like any more detailed information on the likely tax implications of grant funding, please contact us.**

## Starting in Private Practice – everything you need to know for Practice success

**Cutcher & Neale is proud to sponsor this special AMA (NSW) event**

The workshop is designed for:

- Registrars who are finishing specialty training and considering their options.
- Doctors (GPs and specialists) who are setting-up a private practice for the first time or becoming involved for the first time in managing a private practice.

Expert presenters including medical accounting specialist, Jarrod Bramble, will deliver information on:

- Financing your new practice or going into an existing practice.
- Structuring your medical practice.
- Employing, managing and terminating staff in your practice.
- Considerations when buying your practice.
- Advantages and disadvantages of working for a corporate.
- Considerations in fee setting for GPs and specialists.
- Medical practitioners' experiences in setting up their own practices.

**10.00am – 5.00pm, Saturday 5th November 2011,  
Amora Hotel Jamison, Sydney**

AMA (NSW) members \$100, Non-members \$300  
(Rebate of \$200 if you join AMA (NSW) on the day)

**BOOK NOW!**

Contact Janene at AMA (NSW)  
on 02 9439 8822 or email  
[events@amansw.com.au](mailto:events@amansw.com.au)

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AUSTRALIAN MEDICAL ASSOCIATION  
NEW SOUTH WALES

# The new paid parental leave scheme – what does it mean for you?



**The new paid parental leave scheme commenced on 1st January 2011. All employees who are entitled to parental leave are now eligible to receive payment for up to 18 weeks at the national minimum wage (currently \$569.90, adjusted annually).**

## How do I know whether my employee qualifies?

Employees must have worked for at least 330 hours for the employer over the past 13 months, with no breaks over eight weeks (not including paid leave). An employee earning more than \$150,000 per year is not entitled to access the scheme.

## Who manages the payments?

An employee must apply to the Family Assistance Office for approval. The Family Assistance Office funds the payments but the employer must manage the payments. The employer should receive funding from the Family Assistance Office two to three days in advance of their payroll date to fund the maternity leave payment. You can ask the Family Assistance Office to make three six-weekly instalments if this is administratively easier for you to manage.

## Is super payable on the maternity leave payment?

No, and the payments are not assessable for workers compensation premium purposes.

## How much notice does an employee have to give you?

Ten weeks. You may ask for more notice but if you do, put this policy in writing and circulate it to all staff as soon as possible.



## ATO eyes spouse employment packages

**It's fairly common practice for a spouse or related party to be employed within a business, particularly within service entities. Typically this person will receive an employment package consisting of a salary payment, as well as having superannuation contributions made on their behalf.**

However, in the ever-watchful eyes of the ATO, any such employment package must pass a critical test; is it commercially realistic?

In other words, the amount of the total package must be fair and reasonable, accurately reflecting the hours worked, employment duties performed and also the skills, qualification and position of the person.

The ATO recently denied a tax deduction for wages and superannuation paid by a husband for his wife, as it was found they did not engage in a genuine employment relationship. So if you don't want to be caught out by the ATO, it might be wise to review your current arrangements.

That's where our Medico Spouse Employment Package service can help.

Designed for the very specific needs of medical practitioners, this unique service ensures that all areas of your employment package have been expertly reviewed and evaluated. This includes confirming that all necessary employment documentation and correct planning is in place within the business.

When completed, you can rest easy knowing that your spouse employment agreement is fully compliant with the relevant legislation and able to withstand the ATO's close scrutiny.

**If you'd like to know more, please contact a member of our Specialist Medical Services team on 1800 988 522.**

## November

**21** October 2011 monthly activity statements – final date for lodgement and payment

**25** July – September 2011 activity statements – final date for lodgement and payment if lodged through tax agent or BAS agent

## December

**21** November 2011 monthly activity statements – final date for lodgement and payment

## January

**21** December 2011 monthly activity statements – final date for lodgement and payment

# Did you know?

## Motor Vehicle Fringe Benefits

**FBT applies where an employee is provided with a non-cash benefit, a motor vehicle being one of the most common types of fringe benefits supplied.**

Under legislation changes announced in the 2012 Federal Budget, new statutory rates are to be phased in over the next four years for new motor vehicles purchased. The result will be a single rate of 20% for 2015 year, regardless of the distance travelled.

This is beneficial for employers with drivers travelling low kilometres as it will reduce the amount of FBT they incur on the motor vehicle fringe benefit. However, all motor vehicles previously held must apply old rates.

The changes will make FBT calculations so much simpler.

### Timetable for phasing in of new FBT rates

Kms travelled during FBT year	Existing contracts (%)	New contracts from 10 May 2011 (%)	New contracts from 1 April 2012 (%)	New contracts from 1 April 2013 (%)	New contracts from 1 April 2014 (%)
0-15,000	26	20	20	20	20
15,000 – 24,999	20	20	20	20	20
25,000 – 40,000	11	14	17	20	20
40,000+	7	10	13	17	20

## Tax, Property and Finance Structuring Masterclass: Wollongong

### Key steps to wealth generation and preservation

We're delighted to be taking this highly successful workshop to Wollongong on behalf of the AMA (NSW).

Cutcher & Neale Partner and medical accounting specialist, Jarrod Bramble, along with finance and property experts will reveal the steps required in setting up an effective tax structure, including:

- How to minimise capital gains tax
- How to tailor debt to the investment
- The key criteria to selecting an investment

**Thursday the 24th of November, Novotel Wollongong Northbeach**

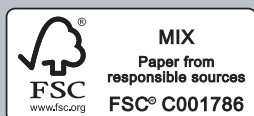
**For more information or to book please call Janene Wardrop on 02 9439 8822**

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**AMA**



AUSTRALIAN MEDICAL ASSOCIATION  
NEW SOUTH WALES



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