KENNAS HEALTH

HOW HEALTH PROFESSIONALS *CAN GET AHEAD OF THE TAXMAN*

/ Chartered Accountants

/ Business & Tax Consultants

/ Financial Planners

A history of shaping financial success

P **07 4924 9100** / E **kennas@kennas.com** / **www.kennas.com**

5th Floor Capricornia Electricity Centre Cnr Fitzroy & Alma Streets / PO Box 201 / Rockhampton Qld 4700

REDUCING TAX

How To Hold On To Your Income

Over recent years the Australian Government has significantly increased taxes and levies of high income earners like health professionals. But there are a number of strategies you can use to help minimise your tax and keep a bit more of your hard earned money.

MORTGAGE OFFSET ACCOUNT

Have you accumulated some "spare" cash but are not sure what to do with it? If you have a property loan, putting any extra cash into an offset account can not only reduce the amount of interest payable on the loan, but it will also stop you paying tax on the interest you would otherwise have earned.

SUPERANNUATION CONTRIBUTIONS

Maximising your super contributions can provide big tax savings. For a health care professional earning over $80,000 per year (but under a 250,000 tax office cap), every $10,000 you put into super up to your maximum deductible amount of $25,000 will save you approximately $2,500 tax! You can even put in more than your deductible cap (up to certain limits) into superannuation.

Additionally, income earned via investing in superannuation is taxed at a maximum of 15% on earnings and 10% on capital gains, superannuation is very good for asset protection, and once you start drawing a pension from your super fund your earnings become tax free in super.

DISCRETIONARY FAMILY TRUST

A trust is a separate investment structure where assets are controlled by one or more persons (the trustees) on behalf of a group of other persons (the beneficiaries). A discretionary trust allows the trustee to decide who gets the income and capital the trust owns. These can suit someone on the highest tax bracket with family members who are on lower tax rates. Trusts also help protect your hard earned wealth if you are in a high risk occupation and prefer not to own assets in your own name.

TRANSITION TO RETIREMENT

If you are over 55, the combination of salary sacrificing pre-tax income into super, and drawing an income from super benefits, can be very tax effective. Not only does it get more into your super fund but your cash flow remains the same. The income tax reduction comes about thanks to receiving less salary income (and therefore paying less tax) and more concessionally taxed pension income from your super fund.

INVESTMENT BONDS

Earnings from an investment bond are excluded from personal income tax because the bond provider pays the tax at 30% internally, leaving you nothing to declare on your tax return. To get the full benefits, you have to leave your money in the bond for 10 years. After this, there is NO tax to pay! It is possible to get access to the money before 10 years, but then there will be some tax payable.

AN INVESTMENT COMPANY

Setting up a company through which investments are bought is one way of ensuring the tax paid is never more than 30%. Income type assets are best held in a company, and growth style assets are best held by a super fund where the tax on capital gains is just 10%.

NEGATIVE GEARING INTO PROPERTY

Negative gearing involves the purchase of a rental property where the costs of holding the property (loan interest, rates, repairs, etc) outweigh the rental income. The loss that is generated is offset against the owners other taxable income, and a tax benefit if received for the tax loss.

In effect the Tax Office subsidises the loss. While this tax benefit sounds great, remember that to make money from a rental property investment you need capital growth to at least cover the after tax shortfall on rent. Another matter to consider is that in the past health care professionals have avoided owning assets in their own name as a form of asset protection.

But these days many health professionals are making the decision that if they can minimise potential risks through good work practices, and they have insurance against the risk which they feel confident in, then the risk of owning assets in their own name is small, and they feel safe negative gearing into property in their own name.

FOR MORE INFORMATION CONTACT

Darren Smith
Partner / Director
Chartered Accountant

07 4924 9100 / 0400 111 222
darrensmith@kennas.com

Peter Shonhan
Partner / Director
Chartered Accountant

07 4924 9100 / 0439 534 197
petershonhan@kennas.com

Brent Giles
Partner / Director
Certified Financial Planner

07 4924 9100 / 0438 633 811
brentgiles@kennas.com