

# HEALTH PROFESSIONALS

*Preparing For Private Practice*



- / Chartered Accountants
- / Business & Tax Consultants
- / Financial Planners

*A history of shaping financial success*

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## KEY CONSIDERATIONS

### *When Becoming A Business Owner*

So you have decided it is time to be in charge and take the step into starting up your own business, or buying into an established practice. There are many benefits (hopefully such as lifestyle flexibility and greater income) and many differences from earning a salary or wage.

To be successful this change required significant preparation and planning, and the assistance from a health industry and business expert like Kennas is essential. The following is a checklist of factors you should consider and be aware of to make sure you have the greatest chance of success in shaping your financial future. Kennas acts as your one stop shop advisor to guide you through the process of stepping into private practice, and along your financial life path.

## GETTING STARTED IN PRIVATE PRACTICE

### **WHAT STRUCTURE SHOULD I USE AND HOW DO I SET THIS UP?**

This will depend on your business and family situation, but normally this income you earn is from your effort and must be taxed to you. This means at the simplest, you may operate as a sole trader. If you are employing people there are benefits in setting up a service entity trust structure to run your business, and you pay a fee for this service. The more wealth and other assets you have the more complicated the structure may be to try to offer some asset protection.

### **HOW BEST CAN I PROTECT MY EXISTING WEALTH AND ASSETS?**

Review our asset protection report instruction to gain an understanding of protecting your hard earned wealth. Again the right strategy depends on your business and family situation, as well as your concern about protecting your assets.

### **DO I NEED AN ABN AND GST AND HOW DO I APPLY FOR THESE?**

Anyone in business needs an ABN and once you earn over \$75,000 income you need to register for GST. We can do this for you or you can apply online yourself at [www.abr.gov.au](http://www.abr.gov.au).

### **CAN I PAY MY SPOUSE A WAGE AND IS THERE A BENEFIT TO DOING THIS?**

You may be able to pay your spouse a wage and even superannuation, if they are carrying out work for you. However the rules are not as straight forward as you would hope, so this needs to be discussed with Kennas before paying a spouse any money.

### **HOW DO I EMPLOY OTHER STAFF, INCLUDING SETTING UP WORKERS INSURANCE, SUPERANNUATION AND HOW MUCH DO I PAY THEM?**

Once you move to this step, there are a raft of rules you need to be aware of. Visit [www.business.gov.au](http://www.business.gov.au) for detailed information.

### **WHAT ACCOUNTING SYSTEM SHOULD I USE?**

This will depend on the complexity of your business situation, but can be as simple as an easy to use online cashbook like Xero to a more complex accounting package. Kennas will discuss with you your situation and recommend a suitable way to record your transactions.



# TAXATION PLANNING

## HOW WILL I TAKE CARE OF REGULAR REPORTING REQUIREMENTS LIKE GST AND BUSINESS ACTIVITY STATEMENTS

The accounting packages now days do make it far easier for your to do your own GST reporting to the tax office via your Business Activity Statement (BAS). Kennas can set up and provide training in the accounting package and preparing BAS's, or with health professionals having such busy lives, Kennas can do this for you. For your yearly income tax returns, Kennas will prepare your tax return using data from your accounting system, meaning it is important your accounting system is set up correctly. For more information on GST and preparing your own BAS, visit the tax office website.

## WHAT IS THE MOST EFFECTIVE OPERATING STRUCTURE FOR MY PRACTICE?

As mentioned, in most cases the income you earn is personal to you and you will pay the tax on this. As you employ people and have separate business premises, a common way to achieve some tax savings is to set up a service entity trust. It is difficult for sole practice medical practitioners to use different structures, meaning other ways have to be found to minimise tax.

## WHAT CAN I CLAIM AS A TAX DEDUCTION?

At first instance, anything you spend in relation to your work or business may be tax deductible. The following is a list of possible tax deductible expenses you may have:

- Medical supplies, equipment, medicines, educational and other materials
- Professional subscriptions and memberships
- Professional education like seminars and self-education (as long as it relates to current work/business)
- Professional publications or magazines
- Travel for any work, business or education purpose relating to your current work/business)

- Car usage as outlined below
- Telephone costs for business/work use (you may need to keep a diary of business/work use for a month or two to substantiate this)
- Pens and stationery used for work purposes
- Computer, laptop and office equipment (note that capital items like this are normally depreciated over their useful lives, but up until 30 June 2018 small businesses can claim a 100% deduction for any capital item costing less than \$20,000)
- Professional Indemnity Insurances
- Home office costs like electricity, internet, computer repairs, printer consumables, paper, ect but only for business purposes (again you may need to keep a diary).

## HOW SHOULD I PURCHASE A VEHICLE AND WHAT TAX DEDUCTIONS CAN I GET?

Tax deductions for cars depend on how much the car is used for work/business purposes. The tax office has a good summary of what car travel can be claimed and the ways of claiming car costs on their website.

In relation to financing a car, if business use is more than 50%, then leasing is a tax effective and cashflow friendly way to finance a vehicle. Otherwise a chattel mortgage or personal loan can be used.

## HOW CAN I MAXIMISE MY SUPERANNUATION CONTRIBUITIONS?

Contributing to superannuation is one of the most used tax planning tools for health professionals. If your taxable income is above \$180,000 and you contribute \$10,000 into superannuation, you will receive a tax benefit of between \$2,000 to \$3,500. Money put into super is also well protected from business risks. *More information can be found on the tax office website.*



# MANAGING CASHFLOW

## HOW MUCH SHOULD I PUT ASIDE FOR INCOME TAX?

When you stop being an employee, you stop paying income tax as you go along (ie you initially don't have tax deducted from your business income like you do wages income). It is important to determine what your expected tax liability may be at financial year end and start putting money aside for this straight away. Kennas can calculate your expected tax liability based on your estimated income for the year, to give you an idea of what to put aside. Once you lodge your first business tax return, the tax office will then start making you pay income tax quarterly as you go along (which is the same principle as the tax which was deducted from your wages), to help cover your final tax liability. Remember when you lodge your tax return this is the final calculation of your actual tax payable for the prior year, and once you take off tax paid through that year you will either have some more to pay or get a refund, depending if you have paid enough or not.

## WHEN IS MY INCOME TAX PAYABLE?

Income tax is payable no earlier than March of the following year (so for 2022/23 any tax payable is due no earlier than March 2024).

## HOW MUCH SHOULD I PUT ASIDE FOR MY BAS?

The amount you pay on your BAS can be both GST and employees PAYG withholding tax. As GST is really just you being a tax collector, it is never your money and you should track this monthly and put aside monthly. For PAYG withholding, this is the portion you don't pay your employees to help cover their final tax liability so again it isn't extra money you have to find, but just part of the employees' wages.

# GROWING MY WEALTH

In the same way health professionals develop a clinical treatment plan for patients, they should have a structured and professional financial plan to shape their financial future, with regular checkups along the way to ensure you are on track. Also, as medical practitioners well know, things can go wrong with your health, so having a financial backup plan is also critical. The Kennas Book "The Quick Guide to Financial Success" covers various strategies to help shape your financial success and protect you and your family's financial future.

Kennas Financial Services is our team of dedicated financial professionals who can provide advice on all things financial and can answer questions like the following (and are happy to meet with you for a FREE initial meeting to discuss your current plans):

- What is the best way to grow my wealth?
- What should I invest in?
- Is superannuation a good investment?
- What is the best superannuation fund returns?
- How much do I need in retirement?
- Do I need life and income protection insurance?
- How much is enough insurance?
- Will my family have enough to live on if I pass away?
- How can I help my family protect their wealth after I am gone?
- Do I need to update my will when I go into my own practice?



# GROWING MY WEALTH

## PERSONAL INSURANCE

Depending on your situation, personal insurance like life insurance and sickness/accident insurance can be very important (especially when you have debt or family to worry about if something happens to you). Would you like our insurance expert Brent Giles to contact you to discuss your personal insurance, and we can even do a free review of existing life or sickness insurance for you. You should note that before when you were an employee you were entitled to be covered by work cover insurance, had superannuation paid for you, and were entitled to paid sick days. As a business owner you have to look after this yourself.

## WILLS

We recommend you review your wills at least every 5 years and have a qualified solicitor prepare these for you.

Kennas can provide all the answers to the above to help make your journey through your financial and business life be successful. We can train you and your staff on various administrative elements, or we can take care of your financial and management reporting, and tax obligations like business activity statements (and stop you getting bogged down in tax and administration duties, which can take away the enjoyment of seeing patients).

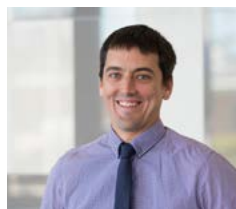
Due to the wide range of services we provide and our holistic approach to helping clients with shaping their financial futures, our health professionals clients save time, money and worry, and focus on what they do best - treating your patients.

## FOR MORE INFORMATION CONTACT



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