Albert's Bucket List

10 things to do before you kick the end of this financial year

By Albert Gigl, Managing Partner, MW Partners Chartered Accountants

1. Make the most of new thresholds

As Individual tax rates will fall in 2008/09, it is important to ensure that you get the maximum deductions you can in the current financial year. The reason for this is that deductions are more valuable now when the tax rate is higher than next year when the tax rates fall. The table below shows the new marginal tax rates for Individual Australian residents. From 1 July, the highest marginal tax rate of 45% will not apply until income is over $180,000.

Individual Rates for 2008-2009

Taxable income	Tax Payable (Residents)
$0 - $6,000	NIL
$6,001 - $34,000	$0 + 15% >$6,000
$34,001 - $80,000	$4,200 + 30% >$30,000
$80,001 - $180,000	$18,000 + 40%> $80,000
$180,000+	$58,000 + 45%> $180,000

The two issues to concentrate on are to bring forward any deductions where possible so that they may be claimed in the current financial year or, alternatively, defer the receipt of any income until after the 30 June 2008, if possible. For most contractors who work on a cash basis they are able to hold off for a limited period time the banking of any cheques they may receive for their services and therefore defer the tax on that income until the following year.

2. Make the most of the co-contribution

The government co-contribution is still alive and well for low-income earners or for spouses where their income is below $58,980. To receive the maximum co-contribution of $1,500, a taxpayer must earn less than $28,980 and make a personal super contribution of $1,000. The contribution may not be salary sacrificed or one which the employee intends to claim as a tax deduction. The maximum co-contribution ($1,500) reduces by 5 cents per dollar for incomes over $28,980. No co-contribution will be paid once assessable income plus reportable fringe benefits equals $58,980pa.

3. Rectify directors' loans 'honest mistakes'

Division 7A relates to companies which have lent money to their directors. As discussed in my March ADAVB article, companies have a once only opportunity to correct the situation by preparing a Division 7A loan agreement and complying with the terms of that agreement before 30 June 2008.

4. Ensure superannuation contributions are paid

For dentists who are self-employed, superannuation contributions which are tax deductible must be paid prior to 30 June 2008. The maximum contribution is $50,000 for a person aged under 50 and $100,000 for people who are 50 and over during that period.

5. Consider the Simplified Tax System (STS)

Dentists who own a practice or are contractors with an ABN, should consider entering the STS as this will enable them to write off all capital purchases under $1000, provided payment is made prior to 30 June 2008. Also, following changes to STS rules, the Tax Office generally reviews and audits STS taxpayers for a two year period following lodgment of their return, instead of the usual four years which applies to other taxpayers.

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Dentists who work predominantly as an employee but may also work occasionally with an ABN, should also consider entering the STS if their income from ABN contracting activities is less than $75,000. They may also be eligible for an entrepreneurs tax offset, which can reduce the tax payable on their contract earnings by up to 25%.
Following announcements in the May Federal Budget, the entrepreneurs tax offset rules will e tightened after 1 July 2008. Single taxpayers will only be eligible for the offset if their taxable income from all sources is below $75,000.

6. Count up all your medical expenses

If you are already out of pocket for medical expenses by more than $1,500 you should consider any other medical expenses (such as prescription glasses) which could be paid for before year-end. You can claim a 20% rebate on all non-reimbursed medical expenses over $1,500.

7. Balance your capital gains

As an investor or owner of a share portfolio, you may have made capital gains during the course of the year. However, with the downturn of the share market over recent months there maybe some shares you may wish to consider disposing of prior to year end so as to realise a capital loss, which could be written off against earlier capital gains.

8. Maximise deductions for a rental property

For those with rental properties, you may wish to consider prepaying your interest (if there are any borrowings on that property) to bring forward any deduction you may get. It may also be worth considering whether there are any expenses such as bona fide repairs and maintenance that could be done prior to the 30 June 2008. Property investors should take care that only genuine repairs are claimed as a deduction because major capital works are not considered repairs and must be depreciated over a period of time.

9. Look before you leap where investments are concerned

Some investors are lured into an investment because of the perceived tax advantages or because their colleagues are "doing it". It is imperative that you understand all of the risks involved with any proposed investment and you are satisfied that the investment generates a reasonable return before you look at any tax advantages.

10. Talk to an expert

Make sure you seek advice from someone who really understands the taxation and accounting needs of dental practitioners and practice owners.

If you would like to discuss your financial or tax affairs and are a member of the ADAVB, your first consultation is completely free of charge.

Please call 03 8825 5400 to make an appointment.

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