

Action you need to take now the election is over

At the time of writing, the result of the 2019 Federal Election had not been determined. Irrespective of the result, there are actions you should take in both the long-term and short-term to ensure you are protected from adverse policy and tax law changes, and able to take advantage of opportunities when changes are in your favour.

Where election promises are related to tax law changes, not only is there the possibility that the promise (or threat) may not be kept but invariably it can be subject to significant changes during the course of its passage through both houses of Parliament. Similar to changes that are announced on Budget night that may be effective immediately, it is often a significant period of time before the legislation is passed such that taxpayers and accountants are in the dark as to exactly how the new changes will be applied and their effect on business.

Under either political party, the short-term changes are predominantly to personal tax rates and rebates for low to middle income earners. The amounts proposed are relatively minor. For dentists on incomes of above \$100,000 (most of you) there will be no effect; however where the dentist operates a family trust and distributes profits to beneficiaries who are on lower tax brackets then the dentist may be able to take advantage of some minor tax savings.

Taxation policies for both parties relevant to the operation of a dental business are reasonably similar. The main difference on the Labor side is the possibility of applying a tax rate of 30 per cent to all distributions from discretionary trusts to individual beneficiaries where they are over 18 years

of age. On the understanding that when the individual beneficiary lodges their tax return they will be able to claim a credit for any overpaid tax, then there will be minimal impact on the amount of tax paid by the family group. The main impact will be cash flow as it is likely the 30 per cent withholding will need to be paid in July following year end and a refund of any overpayment would not be available until the trust tax return is completed and the individuals' tax return is lodged.

Both parties are supportive of the \$30,000 immediate asset write-off for small business. It is quite possible that this will be legislated as permanent without the current expiration date (which keeps getting extended year after year).

Not critical to business but critical to the long-term wealth-creation plans of dentists are the potential changes to negative gearing and a reduction in the general Capital Gains Tax (CGT) discount from 50 per cent to 25 per cent. The proposed changes to negative gearing will be restricted to investments in new housing from 1 January 2020. All other investments are grandfathered and the new provisions will not apply.

It is proposed that negative gearing losses can only be offset against investment income, and not offset against salary and wages. Investment into property has always been a long-term investment that was supported in some cases by tax deductions and refunds, and should still be considered a long-term investment but potentially without the taxation (negative gearing) safety net. Dentists need to ensure they invest in quality properties that are consistent with their wealth-creation strategy and goals. The reduction in the CGT discount will apply to all investments except those that are grandfathered, made by a superannuation fund or assets from small business owners.

Proposed superannuation changes are relatively minor and essentially designed to slow down or reduce the ability of taxpayers to build a substantial nest egg for their retirement. For those with a self-managed superannuation fund (SMSF), the ALP is proposing to prohibit the ability of the fund to borrow. The writer notes that the ability of super funds to borrow is currently being restricted as more and more banks refuse to lend to SMSFs. The ALP is also considering increasing the Superannuation Guarantee rate from 9.5 per cent to 12 per cent over a relatively short period of time. This will add to payroll costs, which is the largest expense for any dental practice.

MW Partners specialises in providing strategic advice to dentists, particularly dental practice owners, to ensure their structure is tax efficient and provides maximum flexibility for changing circumstances in the business, taxation and political environment. If you would like a review of your existing structure or have concerns about how the proposed tax changes may impact you, contact our office on 8825 5400 for a free consultation.



MW Partners
CHARTERED ACCOUNTANTS
Specialist Dental Accountants

MW Partners is an ADAVB member benefits partner.
mwpartners.com.au

Disclosure: ADAVB receives referral fees in recognition of our marketing service alliance.

Top: MW Partners Principal Albert Gigli

