5 TIPS TO SAVE ON TAXES

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Generally, doctors are bound to pay higher taxes due to higher incomes. However, these tips may help the doctors to self assess their situation and take necessary action to maximise their financial outcomes, within the taxation guidelines.

Tip 1: Choose your accountant wisely

It is very important to choose an accounting firm which is PROACTIVE in providing their services. Many accounting firms provide very basic services like BAS preparation, annual taxation etc, but it is not enough.

Ask yourself "Is my accountant providing me with proactive tax planning service, so that I can plan my taxes in advance?"

It is necessary to ask peers and get some references before choosing an accounting firm. I have seen many doctors getting caught up into the marketing tactics of some accounting firms and ending up in a suboptimal outcome.

Tip 2: Make your accounting software work for you

Almost all accounting software now-a-days have live bank feeds. It is important to have your business accounts linked to your accounting software so that you can track all your business expenses and claim the allowable deductions.

Sometimes, we use our personal credit cards or personal accounts to make business expenses and later forget to claim them due to our busy schedule. To avoid this, have a discipline to transfer these expenses into your personal accounts from the business accounts so they are tracked in a timely manner.

Tip 3: Understand how the accounting software works

I have seen many doctors doing their own BAS and it is a very positive change. It is important to understand, how your accounting software works, mainly how to allocate expenses and incomes to their respective accounts.

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I highly suggest doctors to spend at 30-60mins a week to do the basic bookkeeping. – that is allocating the expenses and incomes to their respective accounts. Two significant advantages of this process are:

1. You can have tight control over where the money is coming from and where it is going.
2. You can allocate the right expenditure to the right account (and be able to claim the allowable deduction), avoiding possible errors by the bookkeeper who doesn't know your business as well as you do.

Tip 4: Gain knowledge of basic taxation rules

My former accountant never informed me about the small business pooled depreciation rule, which allows you to aggregate capital expenses up to $20,000 in total and claim them as a deduction in one year.

If I would have relied solely on the accountant, instead of doing my own research, I would have lost this opportunity to save a good amount of taxes, due to changes in the ATO rules.

The quick way to have this knowledge is to read the budget reports or the budget summary that are published by the bigger accounting firms, every time the new budget is announced. These publications are mostly free and provide very useful knowledge, in the least amount of time.

Tip 5: Stay away from the advice that promises huge tax savings

It is the basic rule of the finance – high risk equals high reward. If someone is advising you to follow a certain strategy which is resulting in a very high reward, 99.9% of the times it will have the higher risk.

One such example of such advice that recently fell through is the ATO warning that came regarding the misuse of Everett Assignment by accountants, lawyers and medical practitioners.

Author: Sachin Joshi, MBA, M Finance, GAICD, Dip. Property

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