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2025 Spring Edition

TAX MATTERS

For Medical & Dental Practitioners

Contents:

SPOUSE SUPERANNUATION CONTRIBUTION SPLITTING

Contribution splitting enables a super fund member to split up to 85% of the concessional contributions they make in a financial year to their spouse. The process involves transferring the split amount from the member's superannuation account to their spouse's superannuation account.

Contribution splitting is a great strategy to help even up the super balances of couples, where one of the couple has a larger balance than the other.

With super balance threshold limits applying in respect of:

- the transfer balance cap ($2m from 1/7/2025)
- eligibility for carried forward unused concessional contributions ($500,000)
- the proposed Division 296 Tax ($3m); and
- eligibility to make non concessional contributions ($2m from the 2025-26 year),

the use of spouse contribution splitting may help the members of a couple better manage the impact of these super balance threshold limits.

Contibution splitting only applies to concessional contributions.

Eligiblity Requirements
There are no rules in respect of the age and retirement status of the contributing spouse. The receiving spouse must be under the age of 65, and if aged between 60 and 65, not retired.

Application
An application to split a member's contributions with their spouse is generally made after the end of the income year in which the contributions were made; i.e. for contributions made in 2024/2025, the application needs to be lodged with the member's super fund between 1 July 2025 and 30 June 2026. However, if a member is withdrawing or rolling over their entire super benefit, the application needs to be submitted prior to the withdrawal or rollover. Members can use the application form available on the ATO website or similar form available from the member's super fund.

If the contribution to be split is in respect of personal contributions made by the member, for which the member will be claiming a tax deduction, a Notice of Intent must be lodged and acknowledged by the member's super fund prior to the super split application being processed.

SUPERANNUATION: SHOULD I MAKE A 'BINDING DEATH BENEFIT NOMINATION'?

A person's will does not govern how their superannuation benefits are paid on death. This is because a will can only deal with the assets owned by the deceased at the time of death. Superannuation death benefits do not form part of a deceased estate, unless the trustee of the fund pays the superannuation death benefits to the deceased's estate.

In accordance with superannuation legislation and the super fund's trust deed, the trustee of the super fund has the discretion to decide whether the death benefit payment is paid to the member's estate or to the member's dependants, and in what proportions.

Following a member's death, the trustee of the deceased super fund may decide not to pay the member benefits to the beneficiaries detailed in the deceased's will, or not in the portions intended. This has the potential to cause significant family conflict, especially for blended families. Unfortunately, there is very little the courts can do to change the outcome.

If you want to have greater certainty regarding who receives your super fund member benefits on your death, you will need a Binding Death Benefit Nomination (BDBN).

A BDBN is a written direction to the trustee that directs the trustee to pay a member's death benefits in a certain way.

If the BDBN is valid and in effect at the date of the member's death, the trustee must pay the member's death benefits to the dependants or legal personal representative in the proportions set out in the nomination.

If you decide to make a BDBN, you should note the following:

- You can amend or revoke a BDBN at any time by giving written notice to the trustee.
- Some Trust Deeds make BDBNs non enduring, meaning they may need to be renewed every 3 years to remain valid (check the trust deed).
- A dependent is:
  - a spouse (including de facto and same sex)
  - any person (whether related to the person on not) who is financially dependent on the member
  - any person who has an interdependency relationship with the member.

TAX IMPLICATIONS OF INVESTING IN CRYPTOCURRENCY

The taxation consequences of investing in cryptocurrency depend on the nature of your circumstances.

Despite being referred to as a currency, cryptocurrencies are not 'money' from a tax perspective. The ATO regards cryptocurrencies as an asset, which means that most transactions will generally be dealt with under the capital gains tax (CGT) rules.

The tax treatment of a cryptocurrency transaction will depend on the purpose for which the cryptocurrency was acquired:

- **Acquired for investment purposes** – the disposal of cryptocurrency held for investment purposes will have CGT implications. The difference between the sale price and cost price will be treated as a capital gain or capital loss. The general 50% CGT discount will apply if the cryptocurrency was held for at least 12 months.
- **Acquired for sale in the ordinary course of business (trader)** – the cryptocurrency will be considered to be trading stock. Therefore, the cost of buying or acquiring the cryptocurrency held as trading stock is deductible, with the proceeds from the sale or exchange being assessable as ordinary income.
- **Acquired as part of an isolated profit-making transaction** – the profit on sale is generally assessable as ordinary income.
- **Acquired as a personal use asset** – if it can be established that the cryptocurrency is a Personal Use Asset (PUA), any capital gain or loss arising from disposal is disregarded for taxation purposes. To be a PUA, the cryptocurrency would need to be acquired for $10,000 or less and only be used to purchase items for personal use.

BUYING AN ESTABLISHED PRACTICE

The purchase of an established practice is an exciting yet daunting task. It can be stressful, time consuming and comes with significant financial risks. Before starting to look at practices and talking to sellers it is important to get yourself 'purchase ready'. The key steps are:

Self-assessment

- Do you have what it takes to own and operate a practice? First time business owners are often not fully aware of the skills and resources required to operate a successful practice.
- Identify where your business skills may be lacking and upskill if necessary, or alternatively find people you can employee or consult, who have those skills. Your accountant is a good resource to help with this process.

Sort out your financing

- Find out how much you are able to borrow to fund the practice purchase – have finance pre-approved.
- Obtaining finance can be a challenging and time-consuming process.

Talk to your solicitor

- If you do not have a solicitor, your accountant should be able to refer you to one who deals with business/professional practice sales.
- A good solicitor will ensure the sales contract is in order and your interests are protected.

Determine what type of practice you are looking to buy

- Do you want to grow and develop it or not?
- Will it provide a full range of clinical services or only offer the same clinical services you have?
- Does it have a particular patient demographic?
- Is it in a particular geographic location?
- Is it of a sufficient size to justify engaging a practice manager?

Talk to your accountant

- Your accountant will be able to help guide you through the purchase process and will help determine if the sale price is reasonable. They can also help with the sales negotiation process.
- They will also provide advice on the appropriate business structure for the practice.

We can help! Contact us on (02) 6239 5011 if you have queries about anything in this newsletter

Now that you're purchase ready, you can begin to look for your practice. Below is a listing of some of the information requirements and questions for the seller:

- What is the reason for the practice sale?
- What is the sale price?
- How long has the practice been for sale?
- Would the owner(s) be prepared to stay on after the sale for a transition period and what would be the period?
- What is actually being sold - goodwill, equipment, premises etc?
- If the practice premises are being leased, obtain a copy of the lease and ask if the lease is able to be transferred.
- Would the existing staff be prepared to stay at the practice following the sale?
- Zoning – does council permit a practice to be run from the location?
- If independent practitioners work from the practice under service fee arrangements, will these arrangements continue following the practice sale? Obtain copies of practitioner service agreements.
- Can you obtain a copy of financial statements and tax returns of the practice for the last three years?

WHY AM I PAYING PAYG TAX INSTALMENTS?

As an independent medical/dental practitioner, the income you receive will not have tax withheld as would be the case if you were an employee of the clinic.

If you are operating as a sole trader, the income you receive is required to be included as assessable income in your tax return. Against this you can claim any expenses incurred in deriving your income, such as service fees, professional indemnity insurance, professional memberships, conference expenses etc. The income received less eligible expenses will represent your net assessable business income, and will be taxed at your marginal tax rate.

If it is your first tax year working as an independent practitioner and your business income is over a certain threshold, the ATO will place you into the PAYG Tax Instalment system. You will generally enter the PAYG instalment system if your business income for the year is $4,000 or more. Unless your circumstances change, you are not able to opt out of the PAYG instalment system.

Being in the PAYG instalment system will mean paying tax on a quarterly basis, based on the amount of tax you paid in your last lodged tax return. Paying PAYG instalments will generally mean you won't have to pay a large additional tax bill when you lodge your tax return, as you will have paid tax progressively during the year.

In working out your tax liability for the year, you will receive a credit for the PAYG instalments paid in respect of that year. For example, for your 2025 tax return, you will receive a tax credit for the PAYG Tax Instalments paid for the quarters ended 30 September 2024, 31 December 2024, 30 March 2025 and 30 June 2025.

To ensure you have the funds to pay the PAYG instalments when due, it is recommended you set aside each fortnight a proportion (35% to 40%) of your practice income into a separate bank account or offset account.

If you have any questions about the topics covered, please contact us by email or call our office on (02) 6239 5011:

- Peter Roberson at proberson@bellchambersbarrett.com.au
- Vicki Sofatzis at vsofatzis@bellchambersbarrett.com.au