

BUSINESS OF MEDICINE

dpm Financially empowering doctors

Transitioning to Private Practice

Setting yourself up for success

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Tax Principal



General information

Financially empowering doctors

Every effort has been made to offer the most current, correct and clearly expressed information possible within this presentation. Nonetheless, inadvertent errors can occur and applicable laws, rules and regulations may change.

The information contained in this presentation is of general nature only and is not intended to serve as advice. No warranty is given in relation to the accuracy or reliability of any information

The audience should not act or fail to act on the basis of the information contained herein. The audience are encouraged to contact their DPM Consultant for advice concerning specific matters before making a decision

You've trained for many years to become a specialist in your field…

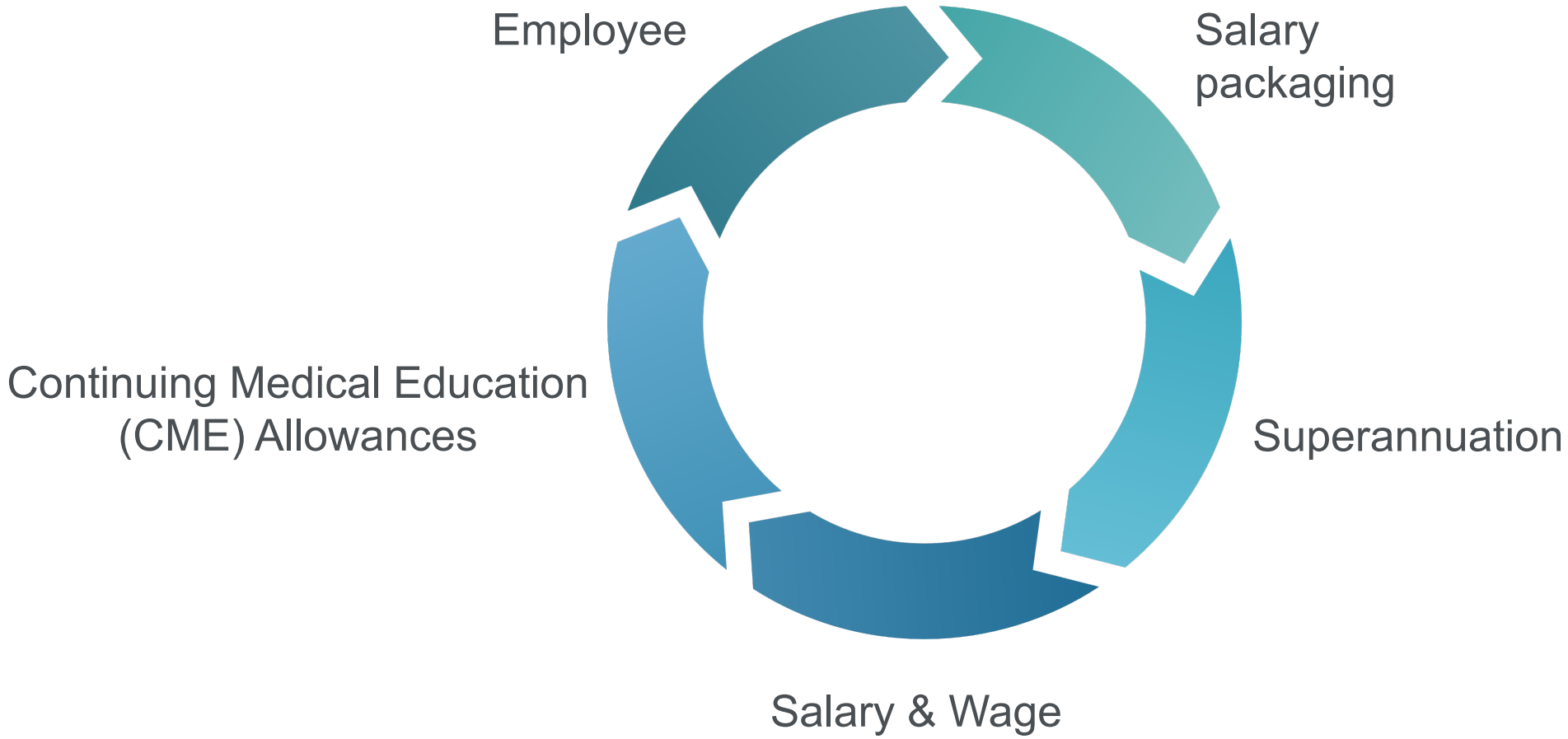
…You should understand what being a specialist means, financially

What we'll cover

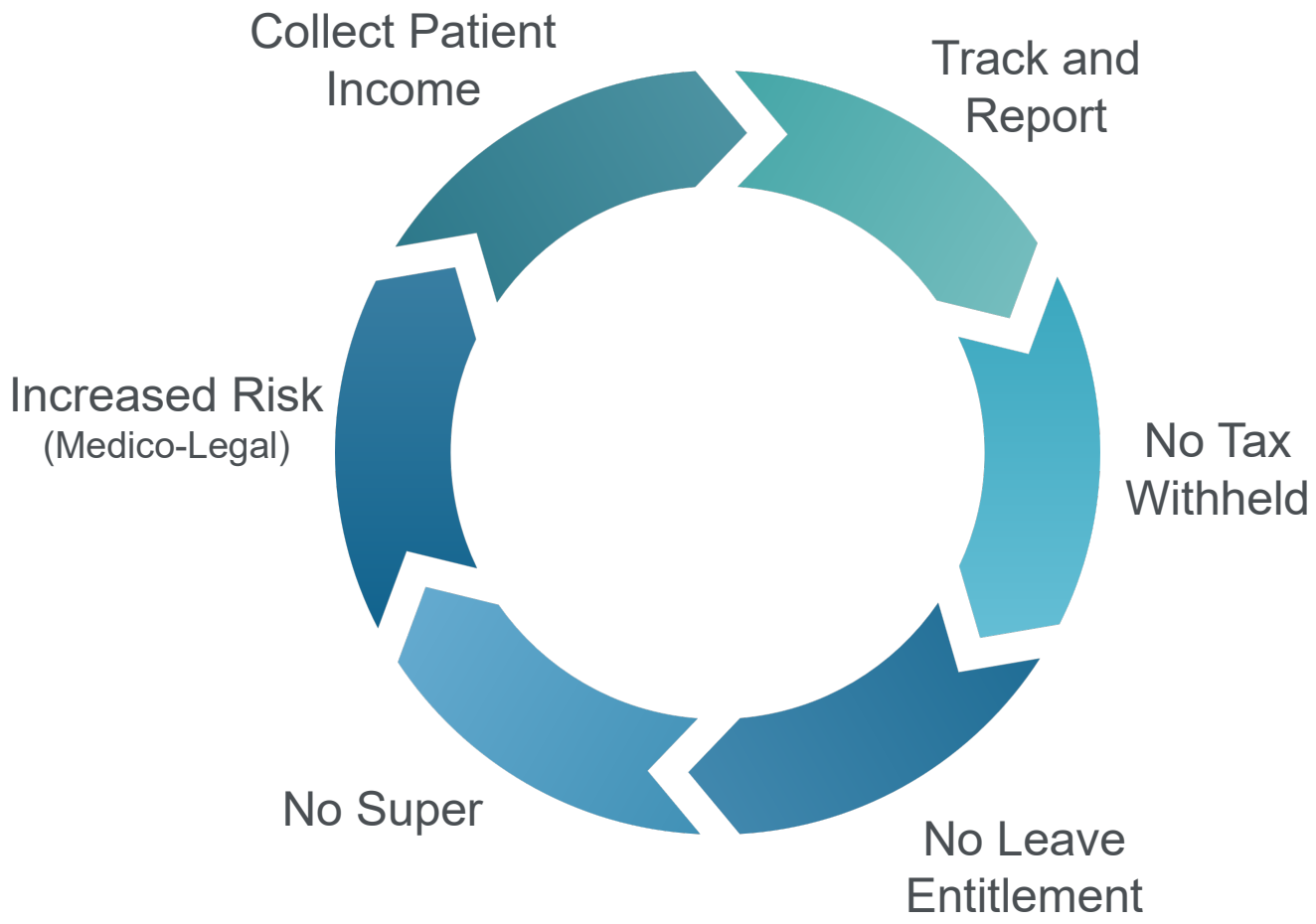
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1. Employee Consultant
2. Private Consultant
3. Personal Finances
4. Entering Private Practice
5. Practice Structuring
6. Questions

Hospital provides you with the services you need



You become responsible for everything



Private Consultant

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Structure

Sole Trader



Operate as a business

Under your personal ABN



Why?

Personal Services Income (PSI) rules

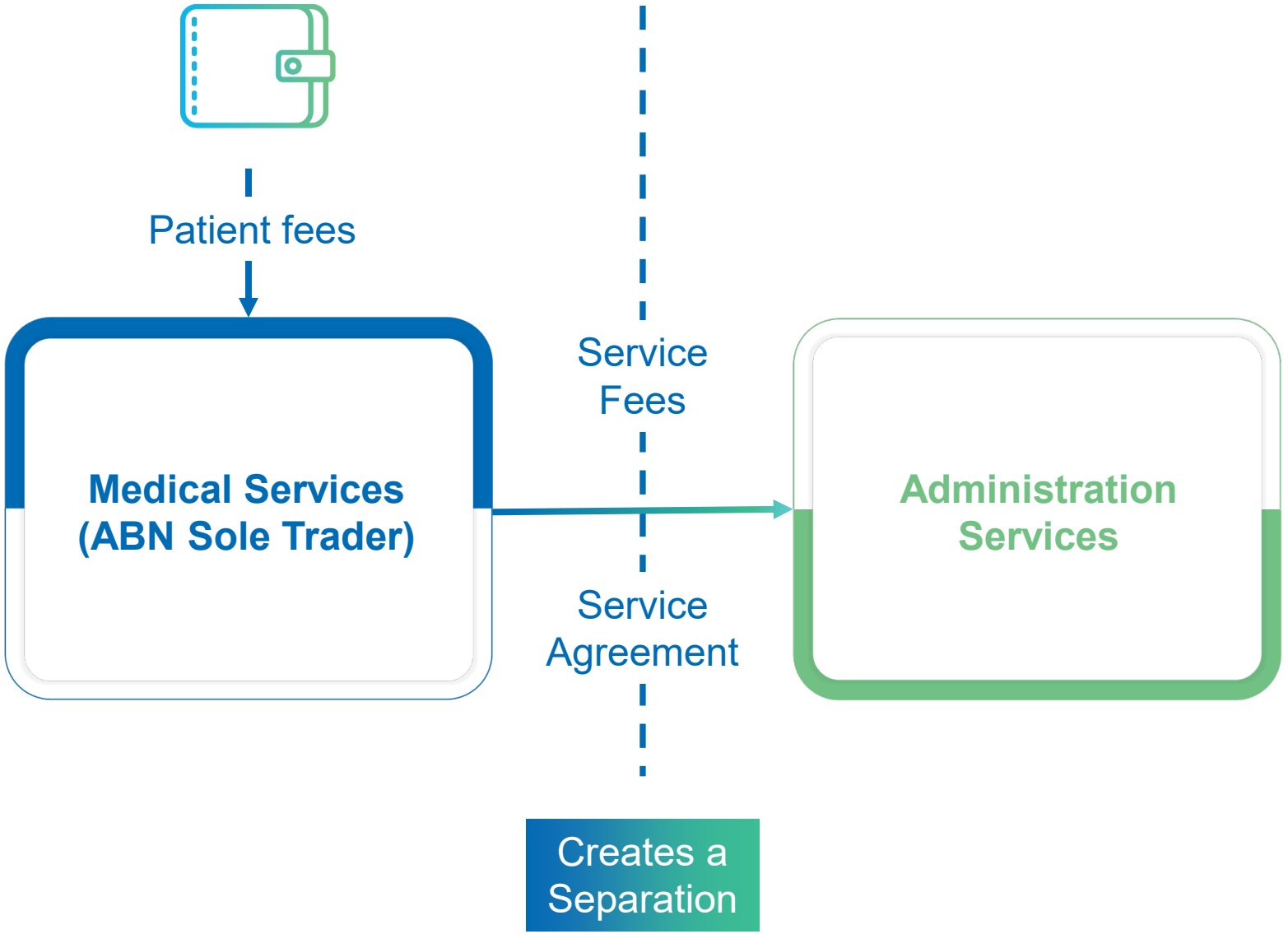
- Your effort/exertion
- Your provider number
- Your indemnity insurance

Billing, GST & BAS

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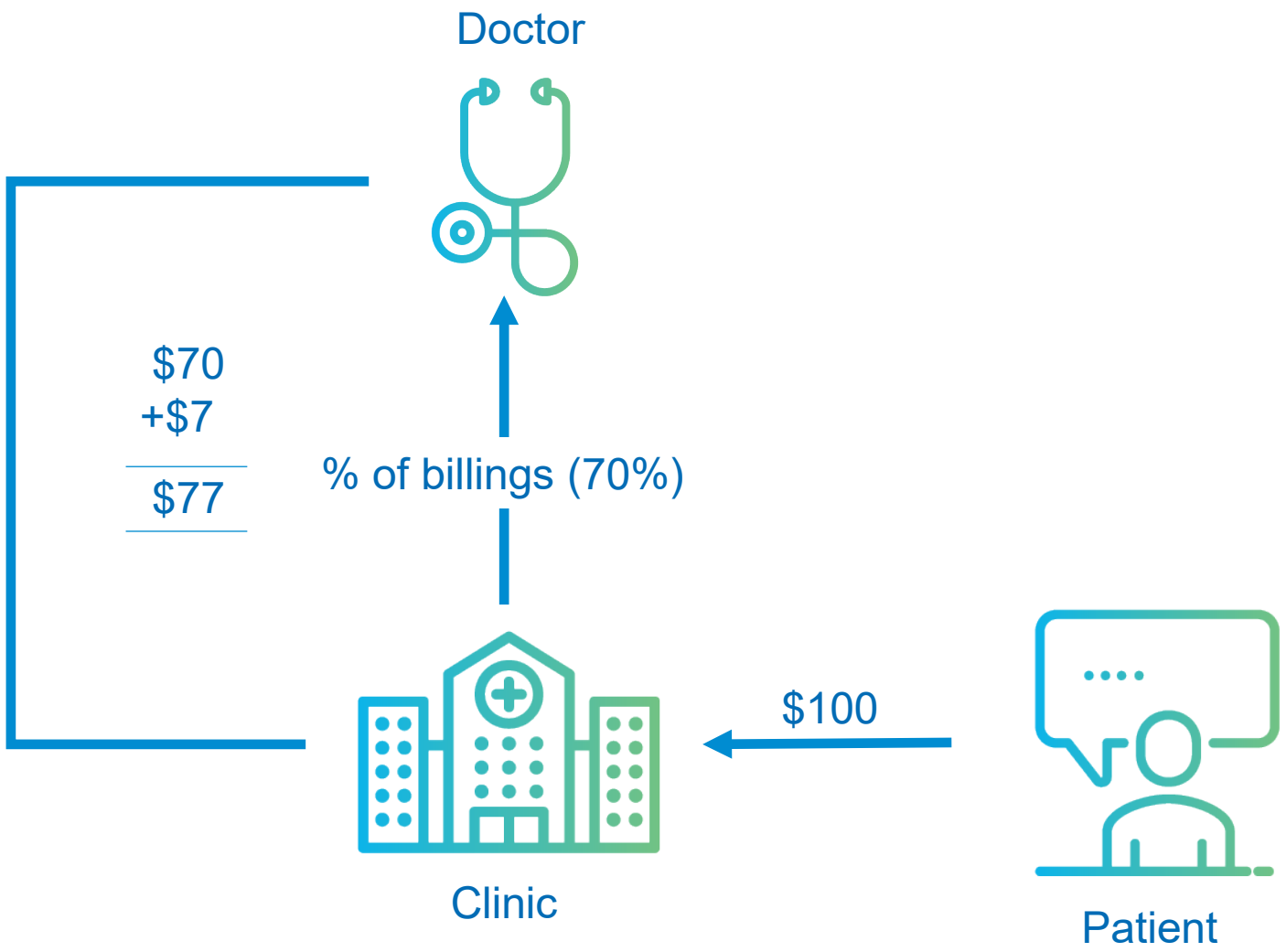


Private Income Structure



Billing Method: % of Billing Model

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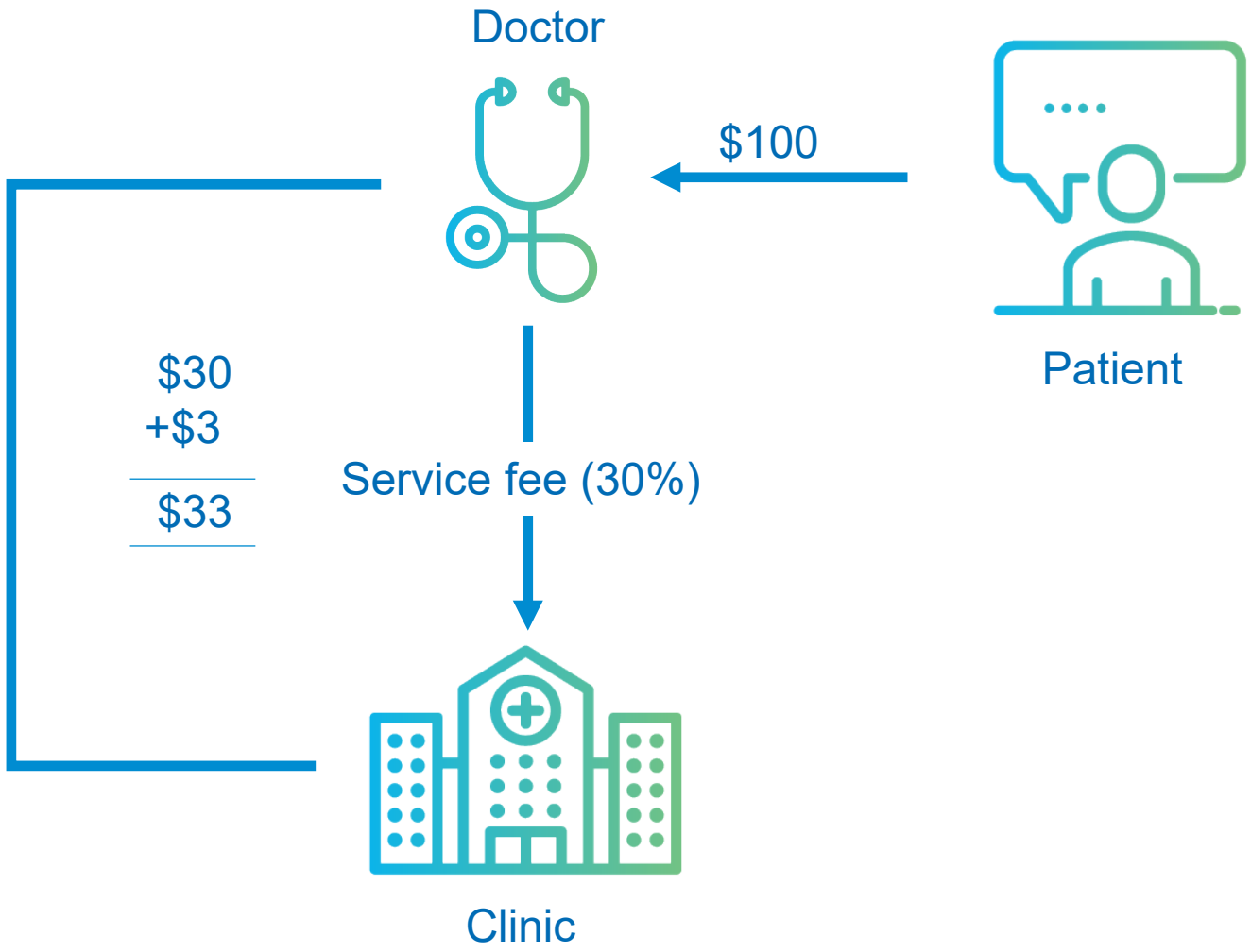
Issues to consider:

- Payroll tax
- Super
- PAYGW
- Workcover

Business Activity Statements

Income	=	$ 77	
Expenses	=	$ 0	
		$ 77	
		$ - 7	>ATO
		$ 70	

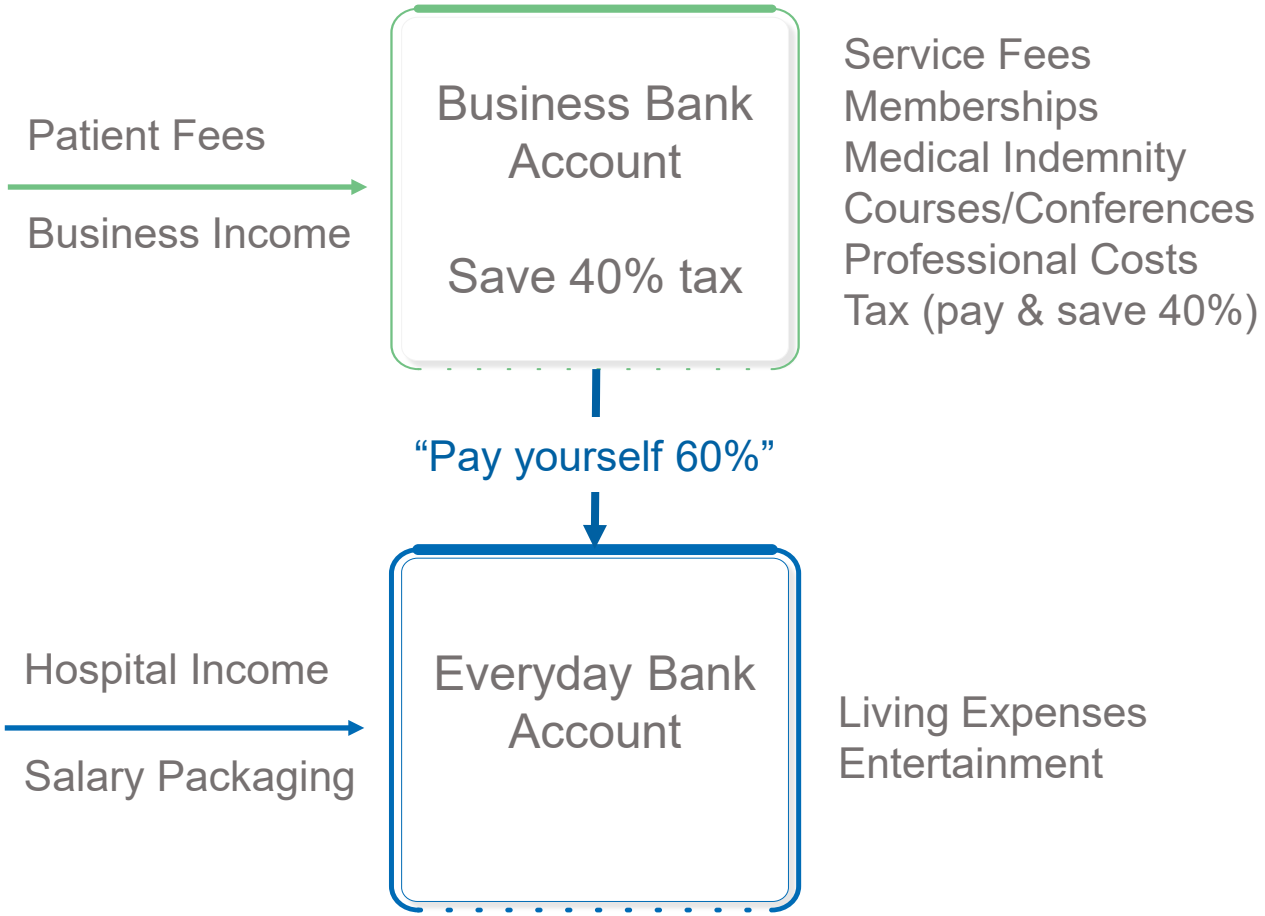
Billing Method: Service Fee Model



Business Activity Statements

Income	=	$	100	
Expenses	=	$	33	
		$	67	
		$	+ 3	<ATO
		$	70	

Banking Structure



SYSTEMS

xero

Your Income Tax Return

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- One Tax Return
- Now Includes a Business Schedule
- “Net” Figures Reported to ATO
  - College Fees $2,200
    GST Refunded in BAS ($200)
  - Deductible Expense $2,000



Summary so far…

- Public consulting
- Sole Trader with ABN
- Understand your billing method
- Set up your bank accounts
- Report on Income Quarterly for GST
- Annual Tax Return



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PERSONAL FINANCES



Budget – have one!

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Purpose

- Understand cash flow
- Make informed decisions
- Step 1 towards financial independence



Frequency

- Annual vs Monthly
- Review regularly



Having a goal or target

- More likely to follow



Options

- Spreadsheet
- Apps
- Online banking tools (DPM Calculators, MoneySmart)

Banking



- Flow of cash
- Dedicated "Business" bank account
- Offset accounts (multiple) / saving account
- Setting cash aside for tax

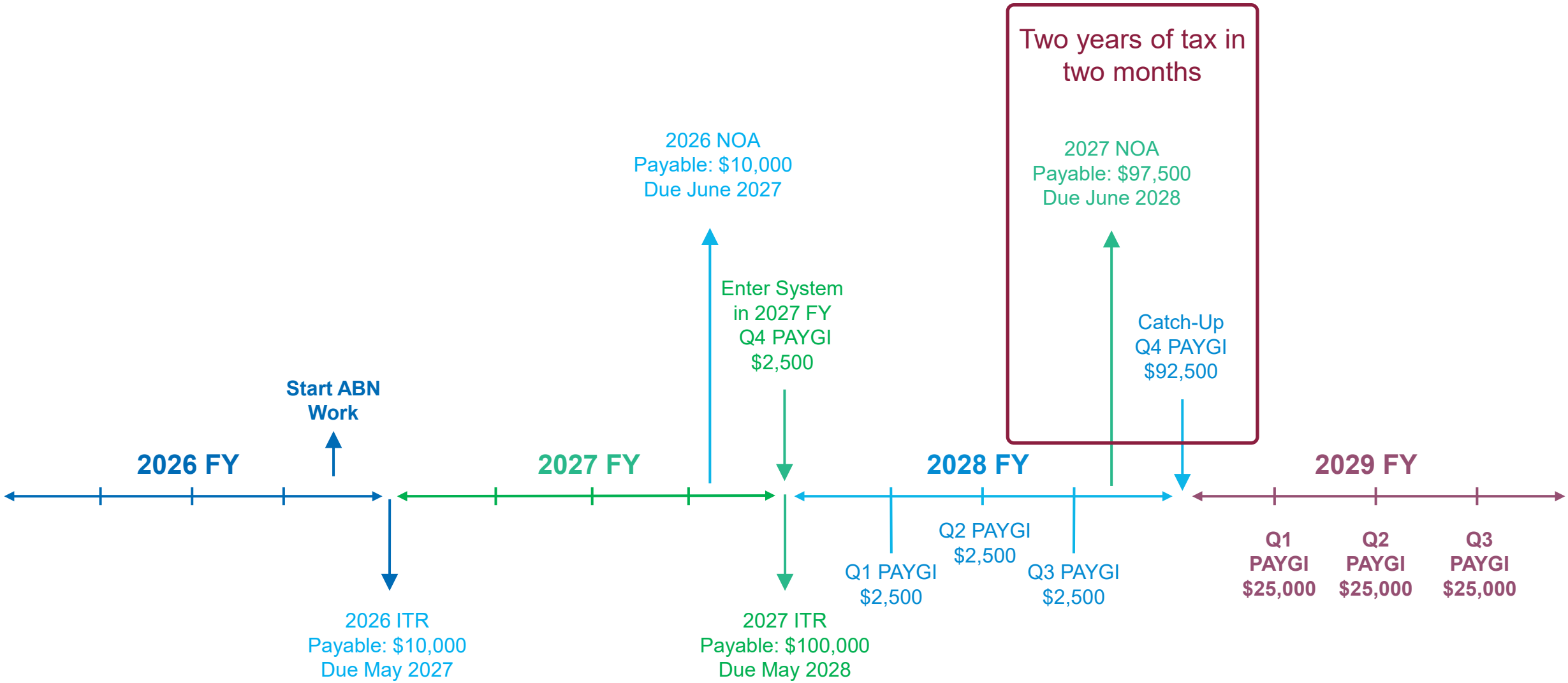
Paying Tax

- Initially, you save & pay when you lodge your first tax return

Enter PAYGI System

- Instalments are based on the last tax return lodged
- “Notional tax" amount

Tax Timeline



Debt Structuring

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Decisions to be made for homeowners with a mortgage

a) Pay off mortgage (with redraw available)

OR

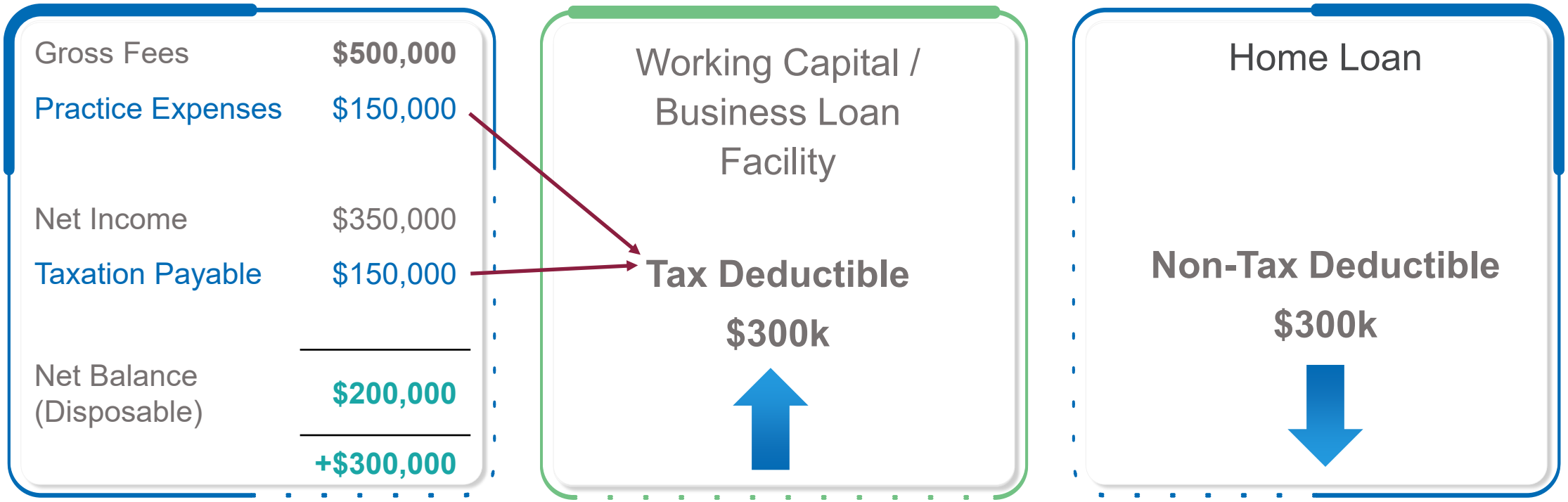
b) Keep the cash in an offset account

Why?

- Saves the same amount of interest as paying down the debt
- Integrity of purpose of the loan is maintained

Tax Efficient Debt Structuring

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Debt Structuring

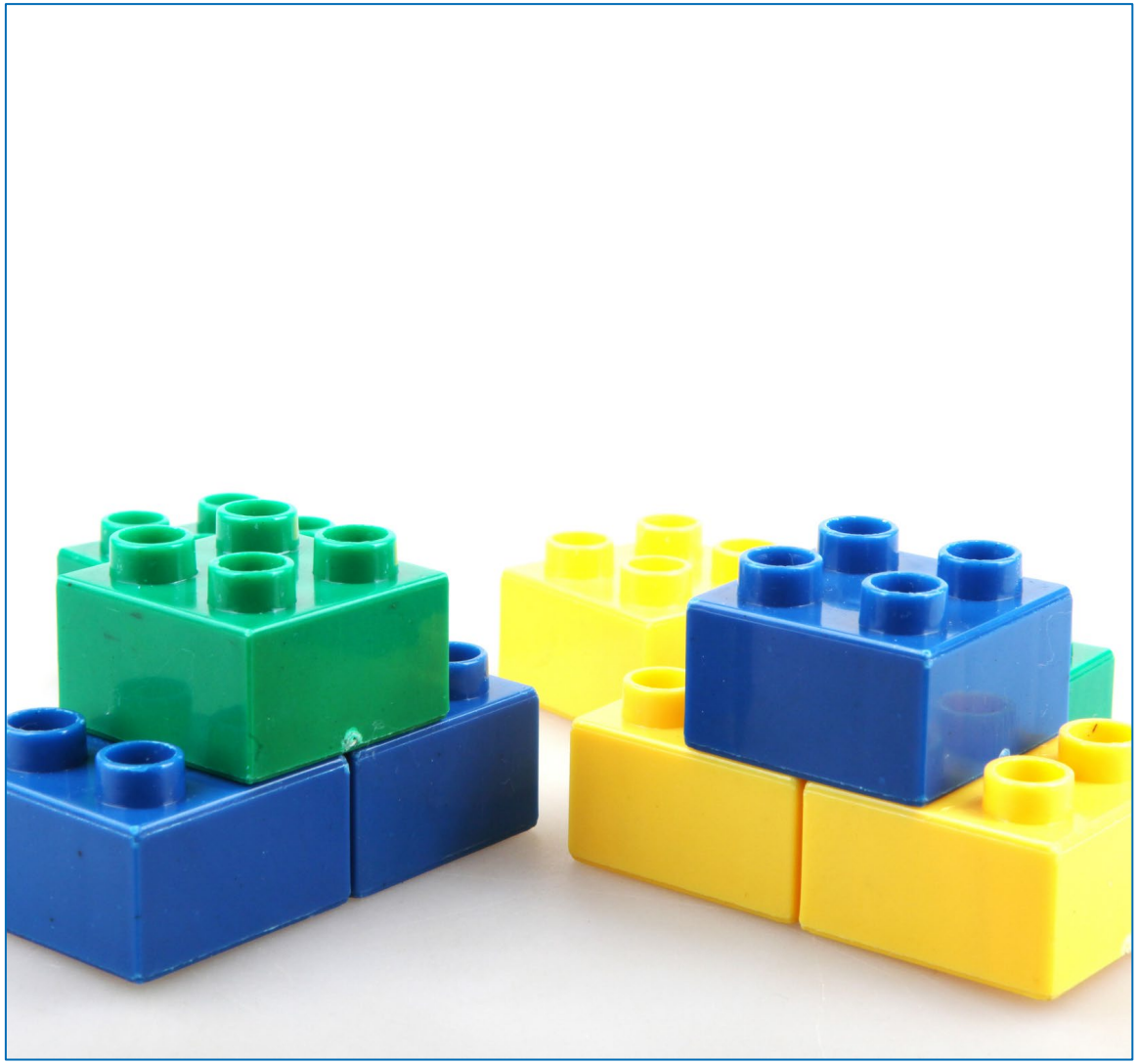
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Why is it important?

- Reduce overall cost of debt
- Increase take home/net income
- Minimise tax in a legitimate manner
- Free up cash flow for other purposes e.g. investing or contributing to super

Choosing a bank is not simple

- Interest vs flexibility
- Ability to utilise home equity vs unsecured lending



Investment Structuring

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Asset Risk

- Protection from Creditors

Ownership options

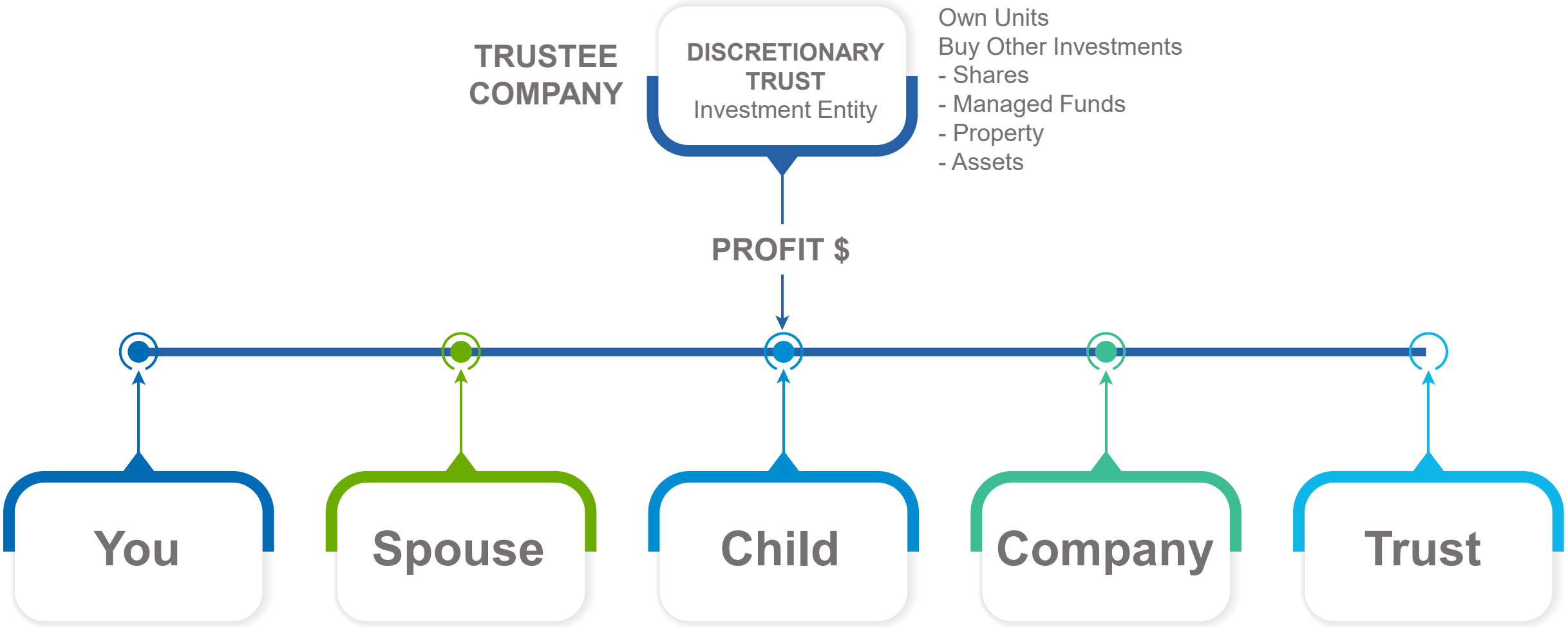
- Individual
- Trust
- Company
- Superannuation

Entity Consideration

- Asset protection benefits
- Liquidity/Access
- Taxation

Structure Investments and Taxes

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Superannuation

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Optional as Sole Trader

Tax Incentivised system



Retirement Savings

- Div 293 (ATI > $250K) and ECC
- Catch Up Contributions

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PRIVATE PRACTICE



Private Practice

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Sole Trader

Responsible for yourself

- Patient fees
- Pay service fees
- Personal compliance



Running Own Clinic

Responsible for everything

- Renting rooms
- Employing staff
- Paying utilities
- Buy & lease equipment
- Business compliance

Private Practice Options

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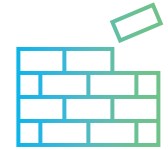
Working in someone else's practice



Buying into a practice



Buy out an existing practice



Starting your own practice

Private Practice Considerations

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Cashflow

- Ongoing Expenses



Responsibilities

- Employing Staff
- Lease
- Loans



Liability

- Asset Protection

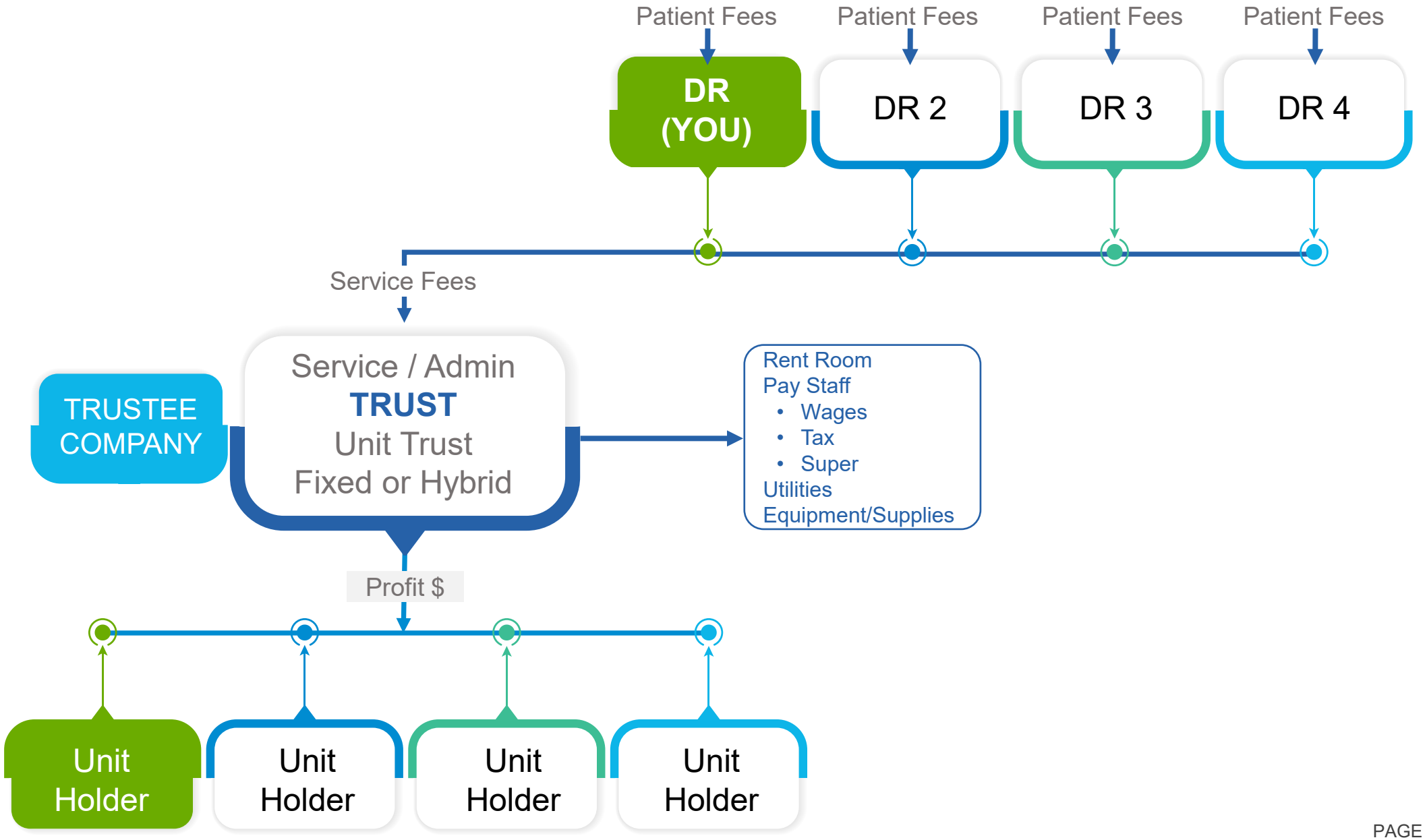


Structures

- Reduce Liability

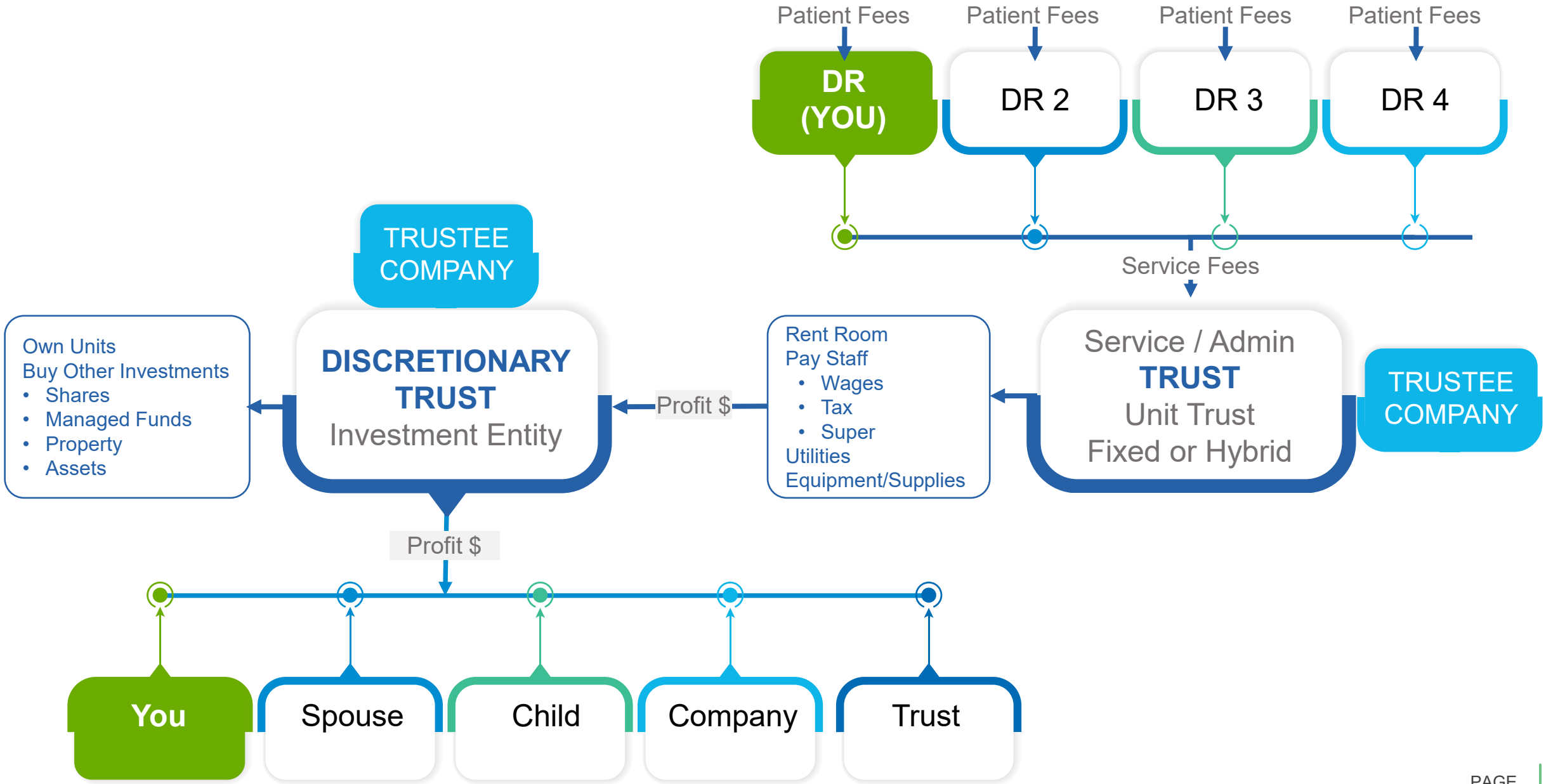
Multi Owner Private Practice

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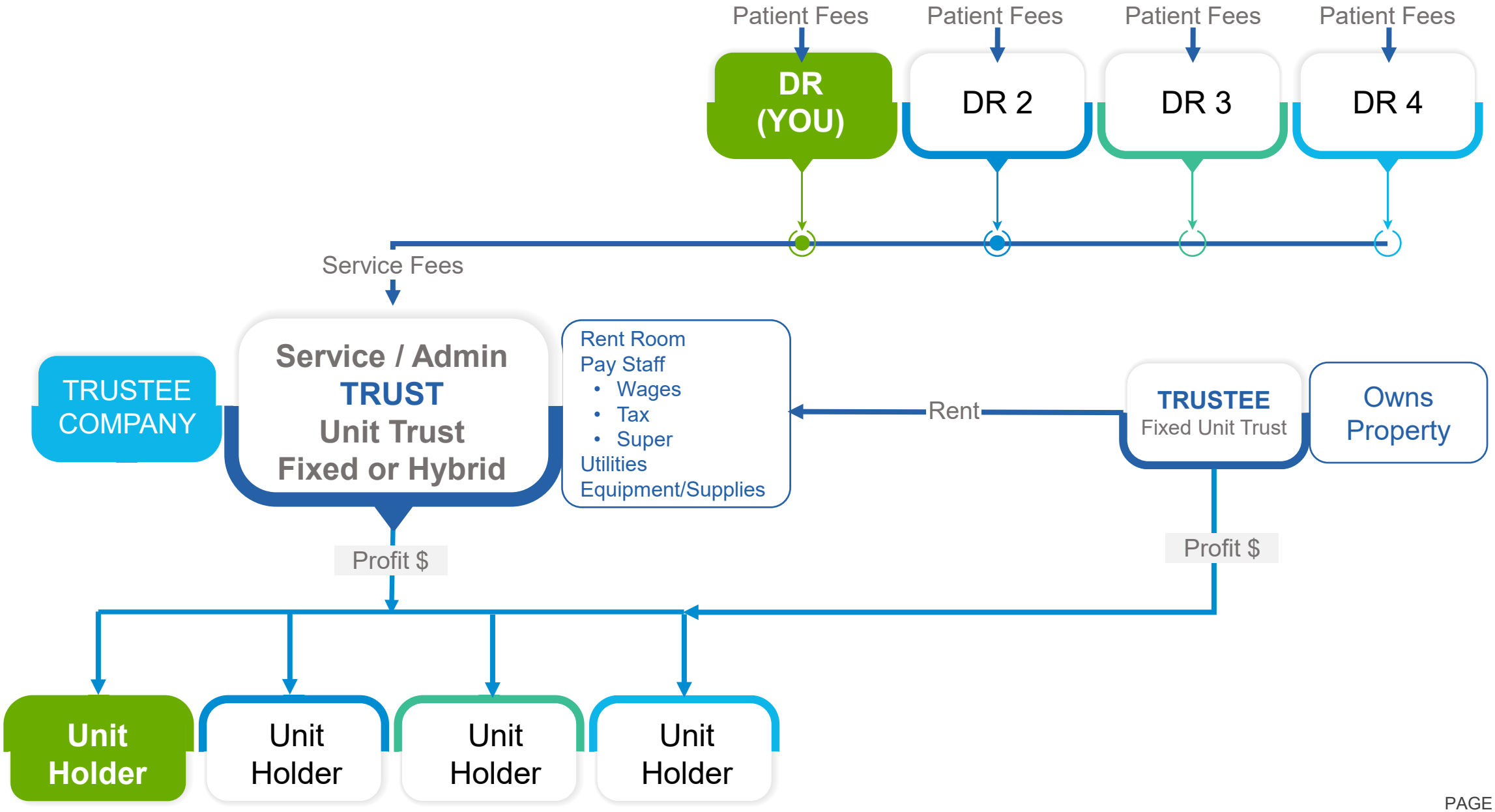
Owning Units

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Owning Rooms

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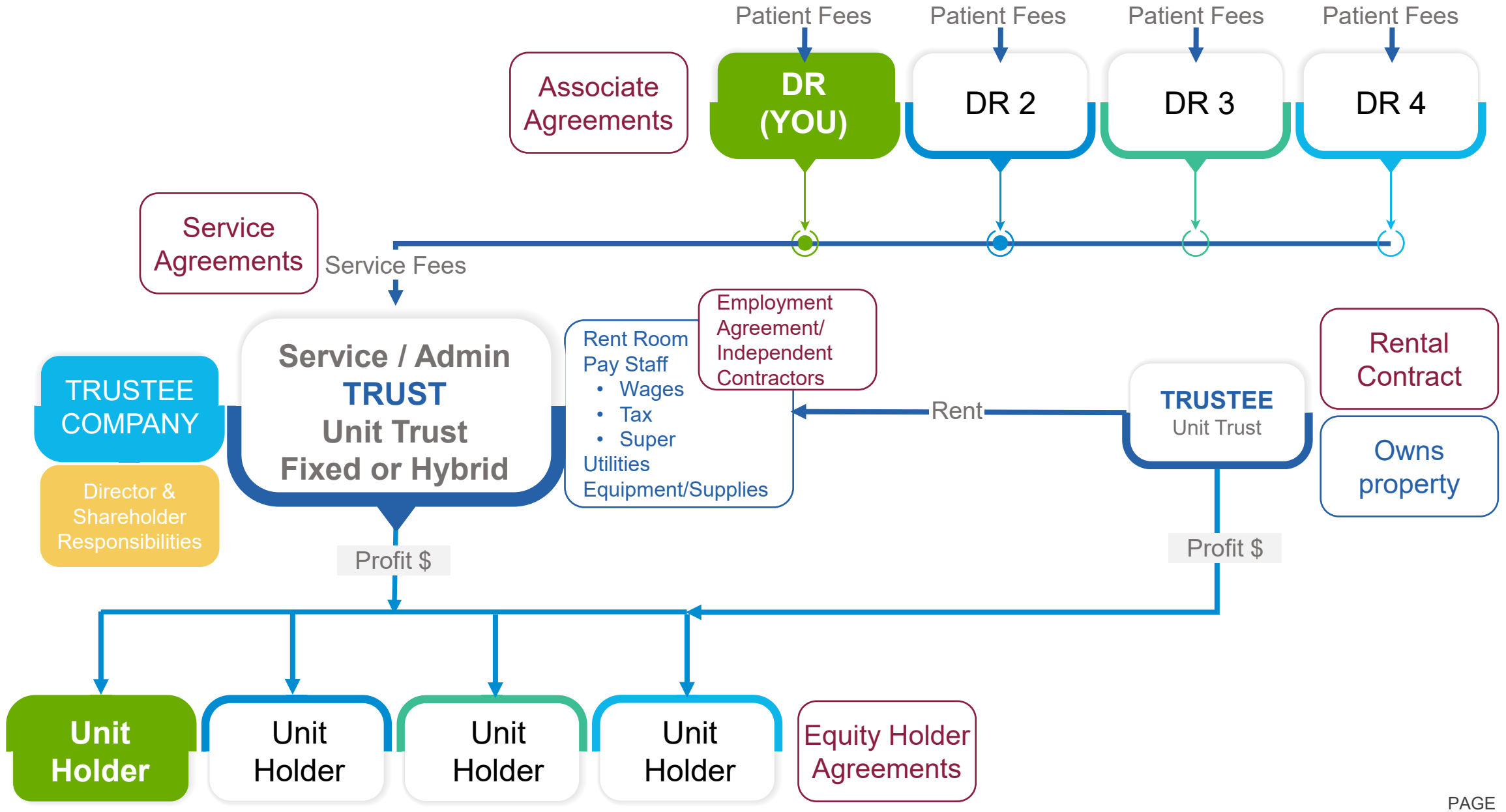
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Contracts & Agreements

Formalise the rules and protect your rights

Contracts and Agreements

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Questions?

THANK YOU

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