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Q & A - General Tax

Holmans have put together four common tax questions and their corresponding answers for your information. Each persons circumstances are different, which may affect the information and recommendations we have provided below. You should seek specific advice in relation to your particular circumstances if you have any concerns.

1. Does the ATO match the interest and dividend income in my tax return ?

Yes. Each year financial institutions are required to provide full details of interest and dividends paid during the year. The information is checked against your tax return, often after they have issued your refund. This information is now published by the Australian Taxation Office (ATO) on your ATO client file. Holmans can download this information to assist us in preparing the income tax return and ensure no interest or dividend is omitted. It is only considered up to date/current after 31 July, following 30 June.

2. Is interest on amounts I borrow tax deductible?

Provided it is used for business or income purposes, then it will be deductible. For example, interest on investment property loans and share investment loans are deductible.

Interest on loans for your home or to pay an income tax liability are not generally tax deductible. There is also considerable risk it won't be deductible if you "redraw" on an existing loan. It also does not matter which asset it is secured against.

3. Travel Expenses – Can I claim the cost of travelling to work?

Travel expenses from home to work are generally not an allowable deduction. The leading case that established this was the decision of the Full High Court in Lumney v FCT (1958) 7 AITR 166. The reasons are twofold.

Firstly, because certain expenditure must be incurred in order to earn income, does not necessarily mean that the expenditure is incurred in the course of gaining or producing assessable income. It must be a prerequisite to earning assessable income, rather than just being incurred in the course of gaining that income.

Secondly, if the essential character of the expenditure is of a private or domestic nature, it is also not deducted. The ATO consider your choice of where to live and how far that is from work to be a personal choice.

There are, however, some exceptions, particularly when the transport of bulky equipment is required. A practitioner was able to obtain a deduction on these grounds in AAT Case 9235 (1994) 27 ATR 127.

Costs incurred in travelling from work to visit patients at home or at nursing homes, and travel from the patients home/nursing home back to work is considered deductible. It is vital you keep an accurate logbook outlining the kilometers travelled and the purpose of the trip to substantiate the same.

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Salary packaging a motor vehicle can also assist the health practitioner effectively claim a proportion of their travel to and from work. Holmans can advise whether this arrangement is suitable for you.

4. Using my home – Can I claim a deduction?

Yes, if you are using your home office or operating your health practice out of your home, you may be able to claim a deduction. Specific rules outline what can be claimed as a deduction. Generally speaking, most health practitioners can not claim interest, rates or insurance on their home. Deductions for the business use of the telephone, internet, electricity and so-on are claimable provided sufficient records are kept. The ATO provide some hourly rates to cover items like electricity and water. Contact Holmans for more information.

HOLMANS – What makes us different?

Holmans are a proactive firm committed to excellence in customer service. Our points of difference include:

- Experience in your industry.
- A guarantee to return phone calls and emails within 24 hours.
- A proactive approach to reducing your tax liability and increasing your wealth. Holmans contact all our clients prior to 30 June to perform tax planning. After year end, your accountant is simply recording history and their ability to save tax is limited.
- A team of accountants, with different specialties, to ensure your specific requirements are met.
- Regular communication.
- Commitment to giving back. Holmans believe it is important to give back to the local community and through various fundraising events has raised thousands of dollars for local organisations and charities.

Holmans are confident we can save you tax and build your wealth. Contact Holmans to make an obligation free appointment to discuss your particular circumstances.

DISCLAIMER

It is possible that the above taxation advice may also constitute “financial product advice” within the meaning of the term in the Corporations Act 2001. We are therefore required to advise that we are not licensed to provide financial product advice and tax is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services Licence before making a decision on a financial product.