Medical Equipment & Motor Vehicles

Budget asset write-off – Medical equipment and motor vehicles

If you've been sitting on the fence about purchasing new medical practice equipment, we've got some good news!

A new tax measure adopted by the Australian Government means you can purchase new equipment while slashing the amount you owe to the ATO.

Want to know more?

The ATO calls it 'full expensing' and it's an updated version of the instant asset write-off scheme. To learn how your practice can benefit from this update, read on.

So, what's the difference between the 'instant asset write-off scheme' and 'temporary full expensing'?

FULL EXPENSING FOR MEDICAL EQUIPMENT

Temporary full expensing is available to a broader pool of businesses, regardless of their size. It eliminates the $150,000 cost limit on the individual asset purchased for, and used in, your business.

Medical practices will be able to deduct the full cost of medical equipment in the year it is first used, or installed, if that asset is first held and installed between 6 October 2020 and 30 June 2022.

The most important fact you should know is that the cost cap is unlimited

The Federal Government wants to transition away from the old instant asset write-off scheme by providing investment incentives for businesses through the temporary full expensing scheme.

By enabling all businesses to take advantage of this tax incentive scheme, it will stimulate the Australian economy. This is good for everybody!

'FULL EXPENSING' EXPLAINED – MOTOR VEHICLES

If you're a self-employed doctor who buys a car, there is no immediate difference from the existing instant asset write-off scheme and the changes introduced in the 2020–21 Federal Budget.

Both the instant asset write-off and temporary full expensing schemes enable you to claim up to $59,136 of the car's value (excluding GST), regardless of its price, provided you have a current and valid logbook.

This limit is the luxury car cost limit

The temporary full expensing scheme also extends to eligible second-hand assets. That means used cars may be claimed, just as they were under the old instant asset write-off scheme.

Say, for example, you're a self-employed surgeon who decides to buy a brand-new Tesla X. The car costs $170,000 driveaway, so how much of that price will you claim?

Subject to a current and valid logbook, you'll be able to claim the business-use percentage of the vehicle up to the car cost limit that, as previously stated, is $59,136.

Of course, this doesn't mean the government hands you $59,136 – but it does allow you to deduct that amount against your income.

If you're a surgeon whose income places you at the top marginal tax rate, and your eligible business use of the vehicle constitutes 47% of its entire usage, you'll be able to claim the car's value at 47 cents of each dollar spent on the car, until you reach the $59,136 limit.

Tax law can be complex and this new update has caused some confusion, but we're here to help.