

Locum Fact Sheet

Locum work is a great opportunity to gain experience in multiple hospitals and a good income. However this does come with tax complications. It is important to prepare for, and meet, certain compliance obligations to avoid any hidden surprises when it comes to tax time.

To help ensure you are prepared, we have listed some essential items that you need to pay particular attention to.

ABN registration

If your locum agency does not allow you to work as an employee, you will likely need to apply for an Australian business number (ABN). You can register for your ABN through the Australian Business Register website www.abr.gov.au or contact your accountant to assist.

GST implications

You must register for GST when your ABN turnover (gross income minus GST) exceeds (or is anticipated to exceed) \$75,000 in a rolling 12 month period. If you are not sure if you expect to earn more than \$75,000 you can commence locum work and register once you're familiar you're your expected income. Most doctors who complete short term locum work generally earn less than \$75,000 and do not register for GST. Depending on your circumstances it may be advantageous to register for GST regardless of whether your ABN income exceeds \$75,000, as registering will allow you to claim any GST on your expenses.

Once registered, you may be required to charge 10% GST on your services to a hospital or locum agency and you are required to account, report and pay for your GST through your quarterly Business Activity Statement (BAS) to the ATO. However, not all services are GST inclusive, so you may need to check with your accountant about whether your particular situation requires you to charge for GST.

Tax deductions

As a locum doctor, you may find you are spending more on travel, meals and incidental expenses. However, not all your expenses are necessarily tax deductible.

TRAVEL-RELATED EXPENSE

CAR EXPENSES

Generally, locum doctors can claim car expenses when travelling between two separate workplaces. It is also allowable to claim a deduction if you travel from your regular workplace to an alternative workplace. An assumption for the above is that workplace is not your home.

According to tax law, you generally can not claim a deduction for trips between home and work, as this normally occurs before you start, or after you finish, earning assessable income and should be treated as a private expense. If you are travelling for both business and private use, you will need to identify and justify the business percentage and you can only claim a deduction on the work portion of your travel.

ACCOMMODATION EXPENSE

To claim accommodation expenses the following conditions must be met:

- You declare any travel allowance you received;
- You have a permanent home, and the location of your permanent home must be significantly away from your workplace;
- The expenses cannot be incurred as a result of you choosing to reside in a location that is different from your work location;
- You must stay away for relatively short time periods; and
- Your employment duties must require you to be at that specific location.

DISALLOWED WORK-RELATED EXPENSES

Work-related expenses are not allowed under some circumstances. Please refer to the case study in our article '[Locum's work-related expenses disallowed](#)' on our website.

Record-keeping for travel related expenses

You will need to get and keep records of your income and expenses so you can substantiate them when ATO requires. You will need to keep the records for five years from the date you lodge your tax return. This includes invoices, receipts and, potentially, a logbook for your motor vehicle.

LOGBOOK

There are two methods to calculate the mileage component of car expenses. If you choose the logbook method you will need to keep a logbook for 12 consecutive weeks and represent your travel throughout the year.

Using the cents per kilometre method, you will need to be able to substantiate the kilometres being claimed in your income tax return. Business related trips include travel between multiple places of work, and to courses, conferences and seminars related to your business activities.

TRAVEL ALLOWANCES

If you are a wage and salary earner, you will need to keep your income statement or payment summary that shows your travel allowances. If you have a travel allowance reported on your income statement, you may be able to claim a set rate deduction for travel related expenses.

TRAVEL AND MEAL EXPENSE RECEIPTS

The records you need to keep for accommodation, food, drink and incidentals depend on the length of your trip, whether it is domestic or international, and whether your travel is wholly for work purposes.

If you travel for six or more nights in a row, you may need to keep a travel diary in which you record the dates, places, times and duration of your activities and travel.

The intention of the trip also plays a major impact on the deductibility of travel related expenses.

Other records you need to keep may include:

- income statement, payment summary or payslips that shows the travel allowances you received
- all receipts, invoices or documents for accommodation, meals and incidental expenses
- written evidence, such as a bank statement, to show that you were the one who spent the money.

Provisioning for tax

DUE DATE

Always make sure your tax is lodged before it is due to avoid any penalties or interest.

SALARY & WAGE

If you work as an employee, you are usually on a set salary package based on either permanent full-time, part-time or job-share arrangements. Some tax has been withheld from your salary and remitted to the ATO throughout the financial year.

As an employee, you may also consider salary packaging benefits ranging from phones to cars.

ABN INCOME

If you are registered for GST, your quarterly BAS statements will provide you with the means to remit GST that you have collected at tax time.

Unlike the employer/employee relationship, income tax for a self-employed locum will not be withheld from payments. So you may find it useful to plan ahead and seek advice regarding an appropriate percentage of your income to set aside for lump sum tax payments.

For further information and to make an appointment to discuss your own unique circumstances, please visit our [website](#) or call 07 3221 5677.