

Tax Deduction Guide for Medical Professional

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Introducing a comprehensive guide to popular tax deductions specifically designed for doctors, medical practitioners, and specialists in Australia! These deductions have the potential to significantly decrease their taxable income.

In Australia, doctors and other medical professionals are among the highest-paid professionals. And the marginal tax rate goes up as the income goes up. But did you know that if you work in the medical field, you can get a long list of tax breaks? But many doctors miss out because they don't know what tax deductions they can claim.

Every year, doctors can get a wide range of tax breaks from the Australian Taxation Office (ATO). But to get the claim for these work-related costs, you'll need to show that:

- You paid for the expense yourself, which means you spent the money.
- The expense you claim is directly related to your job as a doctor or a medical professional.
- You have accurate records to show that you paid for it.

Also, you'll need to clarify what part of the expense was for personal use and what was for work. This is especially important for car and phone expenses.

What You Can and Can't Claim as a Medical Professional, Doctor, or Specialist

If you're a doctor, medical practitioner, or specialist, it's important to know which expenses you can and cannot claim. To help you gain a clearer understanding, we've put together a list of such expenses for your reference.

1. Car Expenses

You can't claim the cost of regular trips between home and work, even if you live far from your usual workplace or have to work outside of regular business hours.



You can't claim the cost of regular trips between home and work

You can claim the cost of using your car when you drive:

1. Directly between different jobs on the same day, from your primary job as a medical practitioner or doctor to your second job as a university professor.
2. To and from a different workplace for the same employer on the same day, like going to other hospitals or medical centers.

As mentioned above, you generally cannot claim a tax deduction for the normal trips between your home and your workplace. However, if you are required to transport heavy tools or equipment for work, you might be eligible for a tax deduction for your car expenses.

In the context of the Australian Taxation Office (ATO) and tax deductions for work-related car expenses, “heavy tools or equipment” typically refers to items that are bulky, weighty, or cumbersome, and essential for your job. These items should be difficult to transport via public transportation or other means.

- For doctors, heavy tools or equipment might include:
- Large medical equipment (e.g., portable oxygen cylinder, defibrillators)
- Bulk medical supplies (e.g., large quantities of consumables for patient care)

- Mobile workstations or carts (e.g., emergency response kits or portable medical stations)

If you decide to claim car expenses, you can use either the logbook method or the cents per-kilometer method. You can also contact your tax accountant for more details.

2. Travel Expenses



You can claim the travel costs if you have to spend the night away from home

- **You can claim** the travel costs if you have to spend the night away from home because of your job. When you travel for work, you might have to pay for meals, a place to stay, and other small costs. All these costs are included in the travel expenses.
- **You can't claim** travel costs if you're on a personal trip and add something work-related. For example, you can't claim travel costs if you're on vacation and decide to go to a work-related seminar. In this case, you can claim the cost of the workshop but not travel expenses like flights or hotels.
- **You can't claim** a deduction if the trip is paid for or your employer or someone else pays for it.

3. Clothing Expenses

- **You can't claim** the cost of buying, renting, repairing, or cleaning regular work clothes, even if your boss makes you wear them and you only wear them at work, even if you are a medical practitioner. Conventional clothing is what most people wear every day, like business attire.
- **You can claim** the cost of buying, renting, repairing, or cleaning clothing if it is:
 - Protective, which means it has features or functions that keep you from getting hurt or sick at work, for example, lab coats or surgical caps.
 - A uniform you must wear as a doctor because it's part of an agreement or policy at work that is strictly and consistently enforced and unique to your organization.



You can claim the cost of buying a uniform you must wear as a doctor

4. Study Expenses

You can claim self-education and study costs if the course is directly related to your job as a medical professional and:

- Keeps or improves the skills and knowledge you need as a doctor or medical practitioner for your current job.
- This leads to or is likely to lead to a raise in your current job's pay.

You can't claim a tax break if your studies are only vaguely related or are meant to help you find a new job.



You can claim self-education and study costs if the course is directly related to your job

5. Entertainment and Social Function Expenses

You can't claim a tax deduction for the cost of social events, fundraisers, or entertainment. This is true even if they are required or not, or if you talk about work at the event. Among the costs of entertainment and social events are: breakfast, lunch, or dinner at work, and attendance as a spectator at sporting events, galas, social nights, concerts, dances, drink parties, and other similar events. These are personal costs because the events don't have anything to do with your job. You can't also claim the money you spent getting to and from events.

6. Working-From-Home (WFH) Expenses

You can claim a tax deduction for work-related expenses if you work from home. You must:

- Use one of the ways we've given you to figure out your deduction.
- Use the proper method to keep the correct records.



You can claim tax deductions if you are working from home

You can't claim:

- Things that your employer gives you, like a laptop or a phone
- Anything that your employer pays for or pays you back for.

7. Other Expenses

You can claim expenses related to your job and some general expenses, such as –
medical professional association membership fees
medical journal subscriptions and publications,
professional indemnity insurance,
Income Protection Insurance
phone and internet costs, as long as you can show that you used them for work.
medical equipment and insurance for that equipment,
personal protective equipment you buy, like gloves, face masks, sanitizer, or
anti-bacterial spray.
Donation to registered charity

You can't claim flu shots or other vaccinations, even if your job requires you to get them.

Some Important Things to Consider

1. **Salary Sacrifice:** Medical Practitioners or doctors have a great chance to salary sacrifice for many non-deductible expenses up to certain limits. You can talk to your financial advisers or tax accountant to make the most of this chance.
2. **Private Health Insurance:** The Medicare levy surcharge is a tax you have to pay if you or your dependents did not have the right level of private patient hospital cover for the whole income year and your income was above the surcharge threshold. Medical professionals typically enjoy higher incomes compared to many other professions. Consequently, they may find that the cost of private health insurance is lower than the Medicare Levy Surcharge (MLS) tax they could be subject to if they don't have adequate coverage. Newly migrated doctors, in particular, often overlook this potential cost-saving opportunity due to a lack of proper tax advice. Ensuring that medical professionals receive comprehensive tax guidance can help them make informed decisions regarding private health insurance and avoid paying unnecessarily high Medicare Levy Surcharge taxes.
3. **Income Protection Insurance:** This can lower your tax bill and save you more money on this important insurance. Your income is the basis for building wealth and financial security, so it's important for all doctors in practice to protect this asset.
4. **HELP Debt:** You should talk to your tax accountant when you're almost done paying off your HELP debt so they can show you how to save some extra money.
5. **Superannuation:** Sacrificing Superannuation Contributions to "top up" the mandatory 10.5% superannuation guarantee amount to the relevant concessional cap. Talk to your financial planner to find out if this plan is right for you.
6. **Gearing into investments and Investment property:** You might get a tax break for many of the costs you pay for your rental property or shares. Negative gearing for investment property is a strategy where the expenses associated with owning an investment property, including interest on loans, exceed the rental income generated. This shortfall creates a tax-deductible loss that can be used to lower the investor's taxable income. As a result, negative gearing can provide tax benefits for investors, making it an attractive option for some. However, it's important to carefully consider the long-term implications of this approach, as the success of negative gearing relies on future capital gains to offset the ongoing losses. Please talk to your tax accountant about these kinds of investments; they can tell you what tax deductions you can take.
7. **Structuring:** Utilizing structures such as companies, trusts, and superannuation funds can offer significant advantages in asset protection, legal tax minimization, and wealth accumulation. By carefully selecting the appropriate structure, you can safeguard your assets from potential liabilities while optimizing your tax obligations. Furthermore, these entities can facilitate long-term financial growth and ensure a more secure financial future.

8. **Becoming a private practitioner:** Embarking on a career as a private practitioner may necessitate the implementation of new structures, GST registrations, and the guidance of experts to efficiently manage your tax affairs and optimally plan for future tax obligations. By seeking professional advice and establishing the appropriate financial arrangements, physicians transitioning to private practice can navigate the complexities of tax matters, ensuring they meet their obligations while maximizing the benefits of their chosen career path.

As a doctor, it comes naturally to you to figure out what's wrong with your patients and treat them. But it's also important for you to stop and look at how your personal finances are doing.



You may qualify for numerous deductions that can reduce your taxable income

If you work in healthcare and don't keep the right records or don't know what you can claim at tax time, you may miss out on getting back some of the tax money that was taken out of your paychecks during the year.

Regardless of your role in the healthcare field, be it a general practitioner, surgeon, nurse, or chiropractor, you may qualify for numerous deductions that can reduce your taxable income. However, it's crucial to maintain records such as receipts, invoices, and other relevant documents for any work-related expenses in order to claim these tax deductions.

Seeking assistance from tax professionals like Investax Group Accountants can be invaluable in navigating the complexities of filing your tax return and maximizing the tax benefits available to medical professionals. It's essential to engage a registered tax agent who can help you identify and claim tax deductions, ensuring your tax affairs are in order.



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