

Tax-smart investing

What Australian property
investors need to know



Being tax-smart when you invest in Australian property takes more than making the right property choices.

If you use your property to earn income at any time, you will have entitlements and tax obligations.

Keep proof of your income-related expenses from the beginning to ensure you can claim everything you're entitled to.

Remember to keep your building costs separate to the decline in value of any depreciating assets. By doing so, you can claim your deductions correctly and work out your capital gain accurately when you sell the property.

You can also set up an asset register. It's easy to do and once you've entered your information into your register, you may be able to throw away those old records you've been keeping.



For more information about:

- depreciating assets, refer to *Guide to depreciating assets* (NAT 1996)
- setting up an asset register, refer to *Guide to capital gains tax* (NAT 4151).

Obtaining a property

You can obtain a property by:

- buying it
- inheriting it
- receiving it as a prize
- receiving it as a gift
- way of transfer as the result of a breakdown in your marriage.

Remember...

- Generally, you can only declare the income you earn from the property and claim your related expenses if your name is on the title deed.
- You may be able to claim a tax deduction for costs related to purchasing your property. If not, they may be included in the capital gains tax cost base (cost of ownership) when you sell the property.
- The date you enter into the contract is your date of purchase for capital gains tax purposes, not the settlement date.

Owning a property

When you own a property, the following can affect your tax:

- renting out part or all of your property
- improving or repairing your property
- subdividing your property
- operating a home office or business.

Remember...

- You need to include all your rental income in your tax return.
- You can claim a tax deduction on your rental property for your
 - rates
 - interest
 - insurance
 - real estate agent management fees
 - depreciation
 - capital works.
- If you incur an expense you can't claim a deduction for while owning your property, you may be able to include it in the capital gains tax cost base (costs of ownership) when you sell the property.
- If you use your private home as a rental property, in some cases you need a market valuation when you start to rent it.
- Whether work done to a property is a repair or an improvement can affect the amount of your tax deduction.
- If you subdivide your land, you don't have to pay capital gains tax if you retain ownership of it.
- If you run a business from home, you may be liable for some capital gains tax when you sell.

Disposing of a property

You can dispose of your property:

- by selling it
- by giving it away
- by way of transfer as the result of a breakdown in your marriage
- through compulsory acquisition.

Remember...

- When you dispose of your property, you may have to pay capital gains tax.
- Your capital gain is the difference between your cost base (costs of ownership) and your capital proceeds (what you receive when you sell it).
- If you have owned your property for more than 12 months, you may be able to reduce your capital gain by the 50% discount.
- If you transfer the property into someone else's name, you may still have to pay capital gains tax.

More information

For more information about how tax applies to property investing, refer to:

- *Rental properties* (NAT 1729)
- *Guide to capital gains tax* (NAT 4151)
- *Guide to depreciating assets* (NAT 1996)
- *Introduction to capital gains tax* on our website.

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- see a registered tax agent.

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If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to appropriate TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Our commitment to you

We are committed to providing you with guidance you can rely on. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

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