



# Australian Taxation



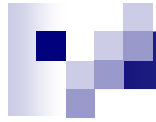
*Presented by:*

**Albert Chua**

Principal

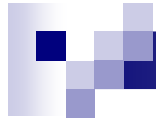
**GC & Associates Pty Limited**

Accountants, Tax Agents & Business Advisors



# **Property Investments**

## **... Tax Smart**



# Australian properties

Very popular with local and overseas investors

First home

Second investment ahead of shares



# Australian properties

Offers many attractions

- less volatile than shares
  - easy to gear

Good potential

- Capital Growth
- Rental Income

Tax Benefits



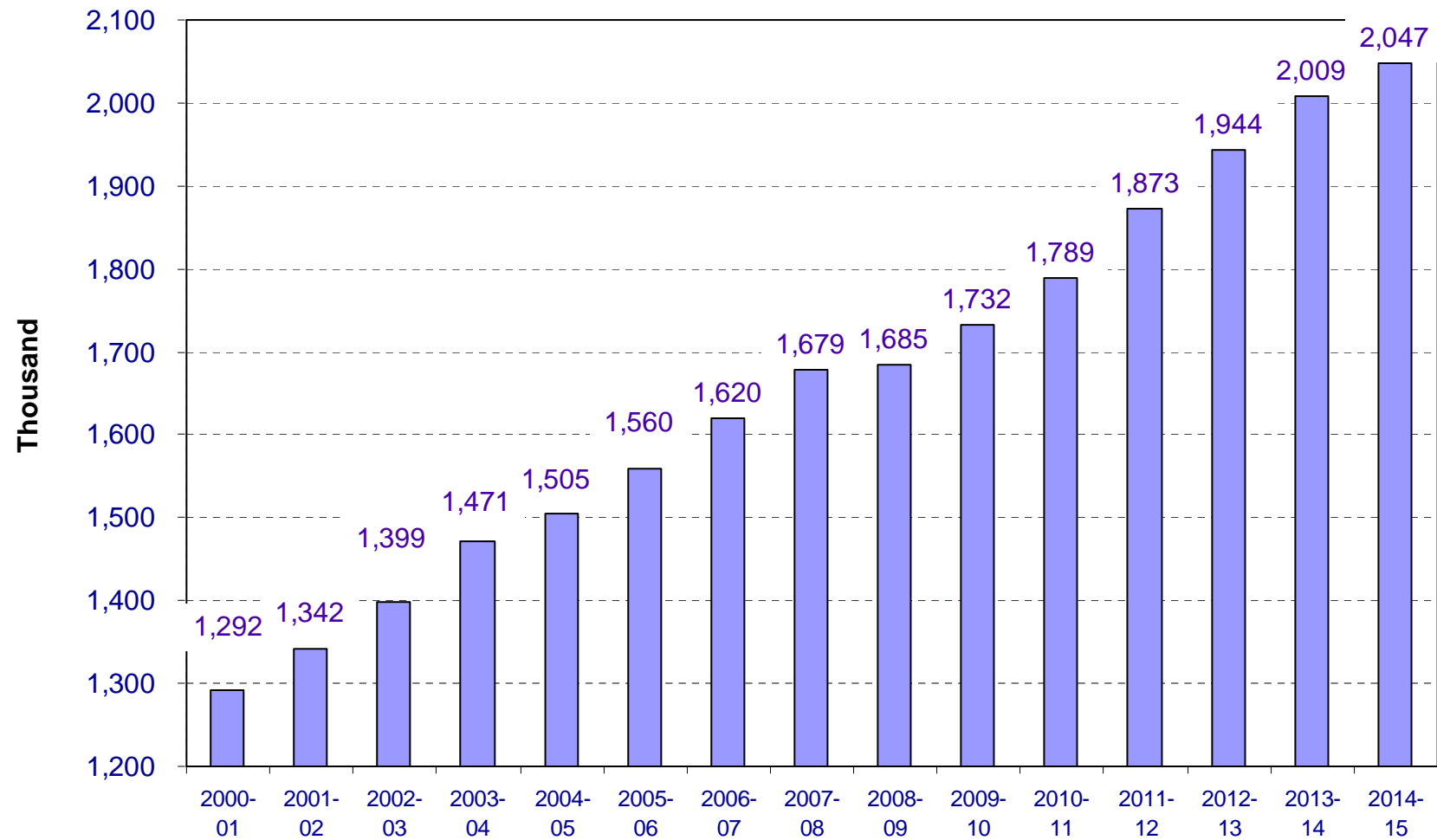
# Facts ...

According to Australian Taxation Office ...  
in 2014-15:

- Over 2 million property investors
- Over \$40 billion rental income reported
- Approx. \$44 billion rental deductions claimed
- Net rental income is approx. **\$4 billion (LOSS)**

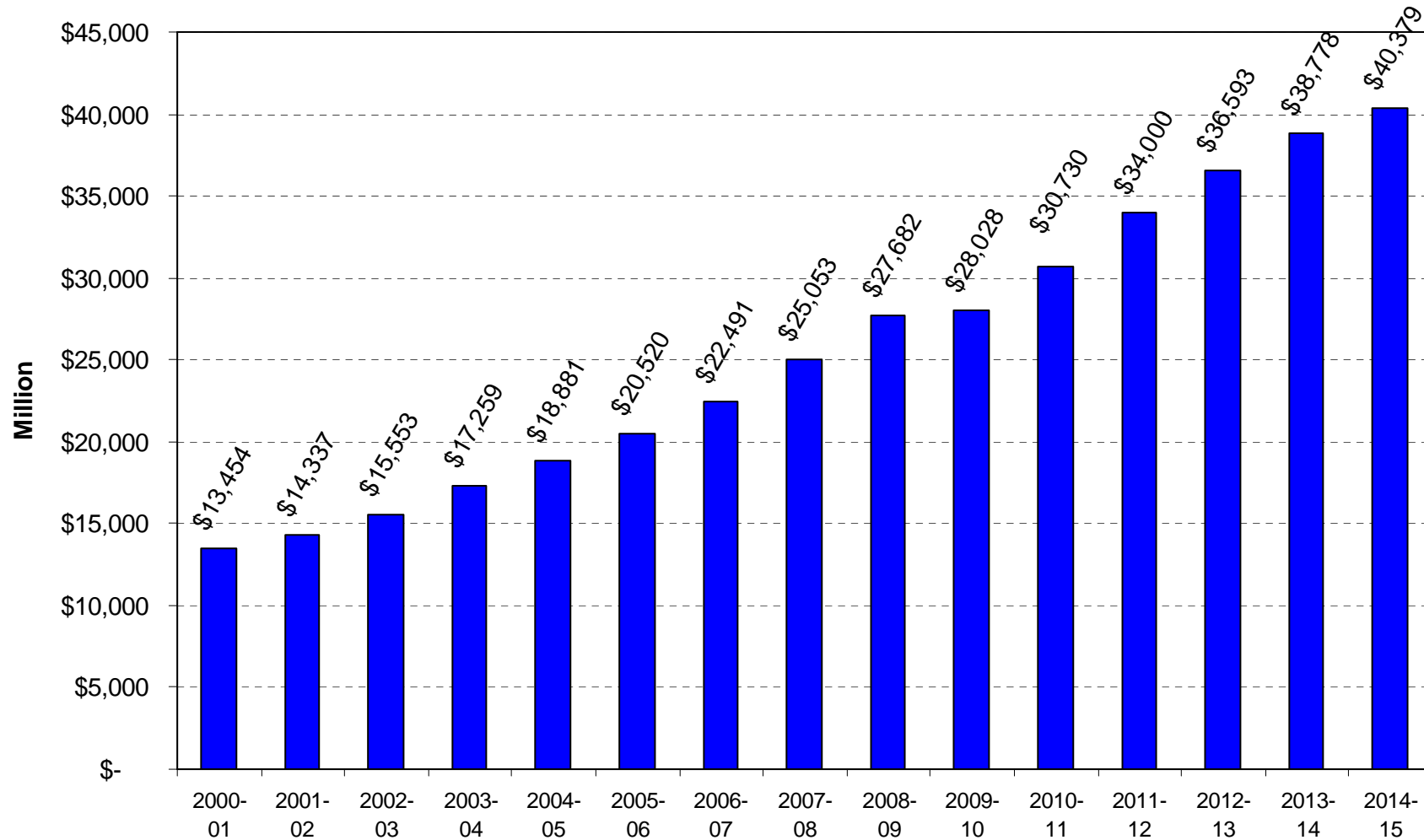
# Statistics

## Number of Rental Property Investors



# Statistics

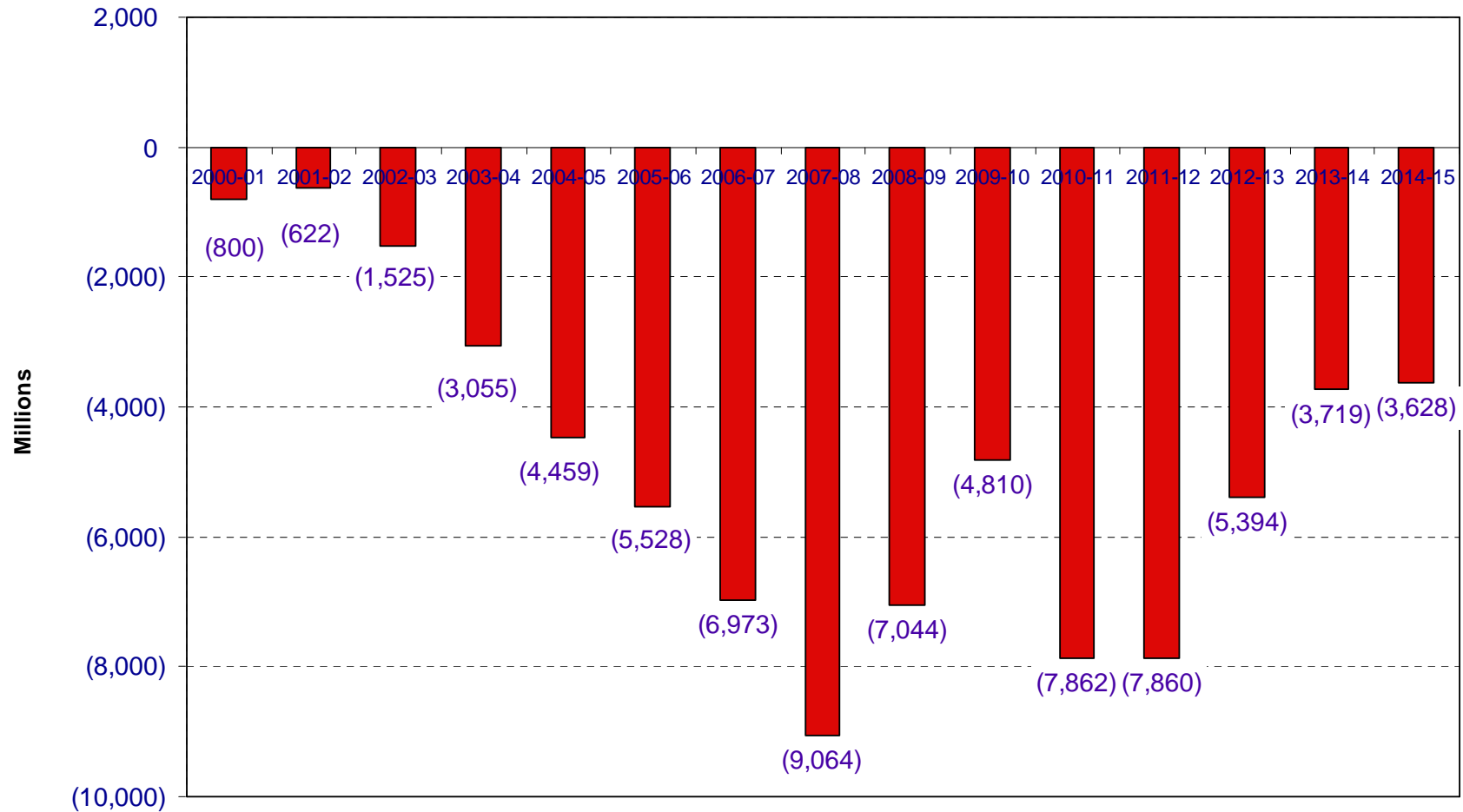
Total Gross Rental Income from Investment Properties



# Statistics

Source: ATO Taxation Statistics

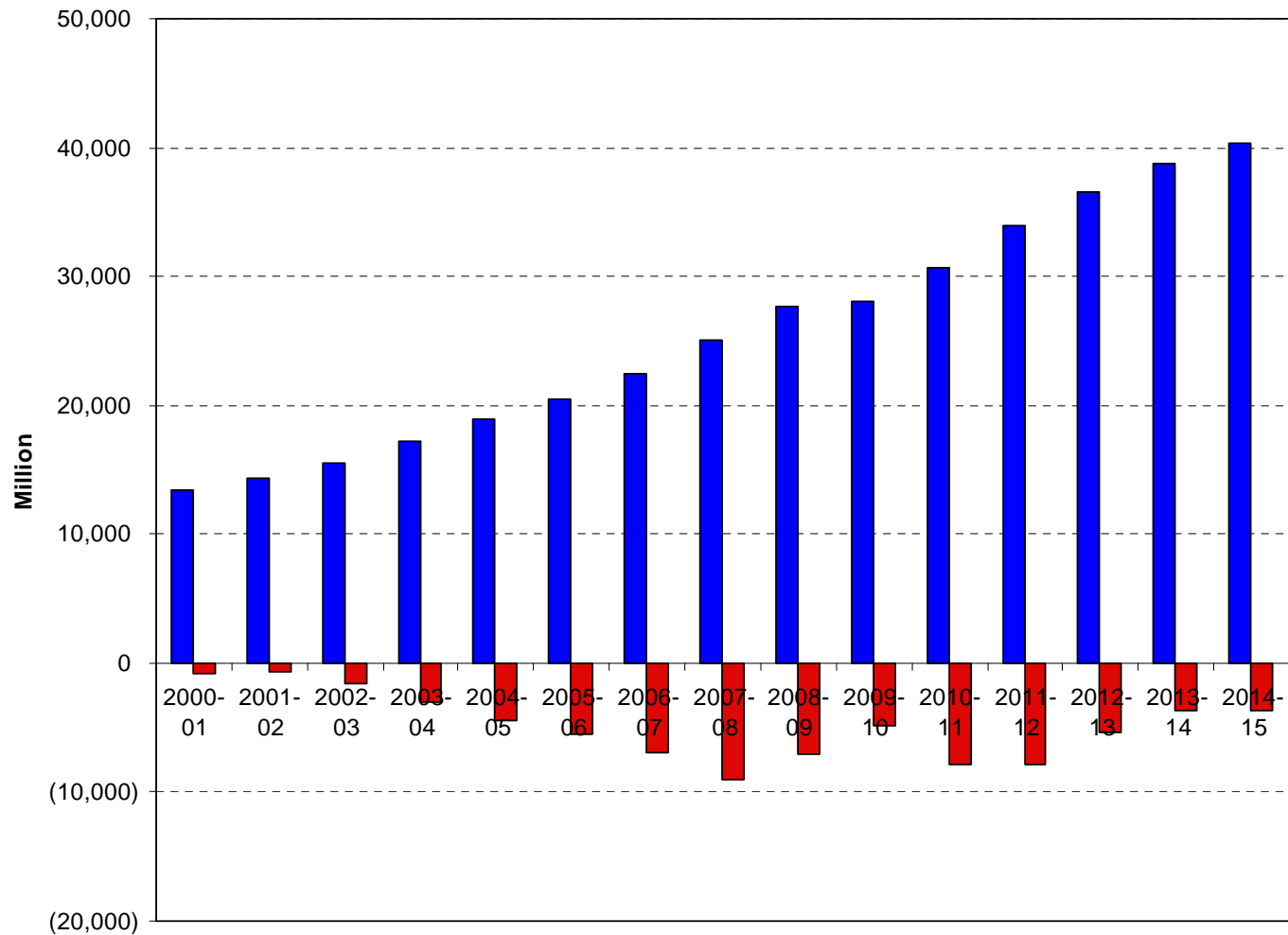
## Total Net Rental Income from Investment Properties





# Statistics

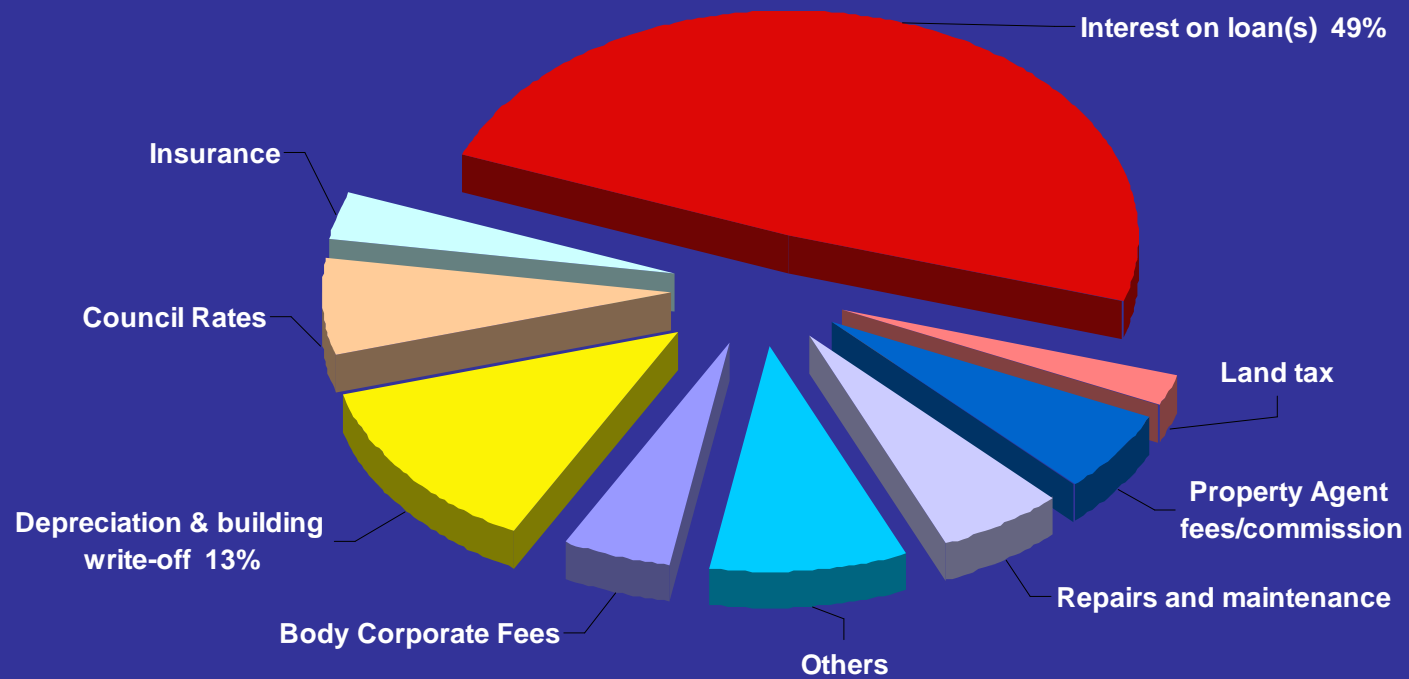
## Gross Rental Income vs Net Rental Income



# Statistics

Source: ATO Taxation Statistics

Rental Property Expenses (2014-15)





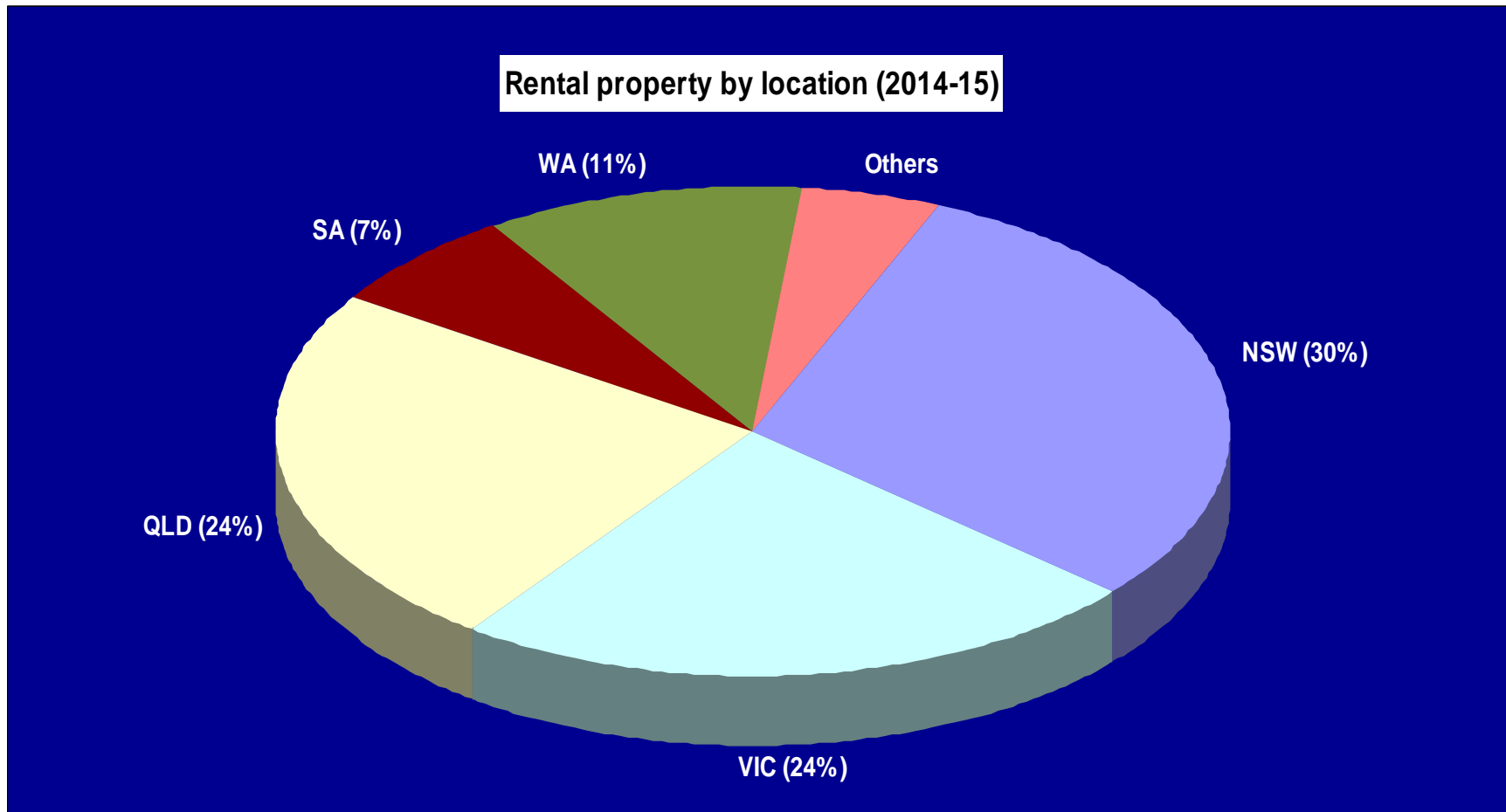
# Statistics

Source: ATO Taxation Statistics

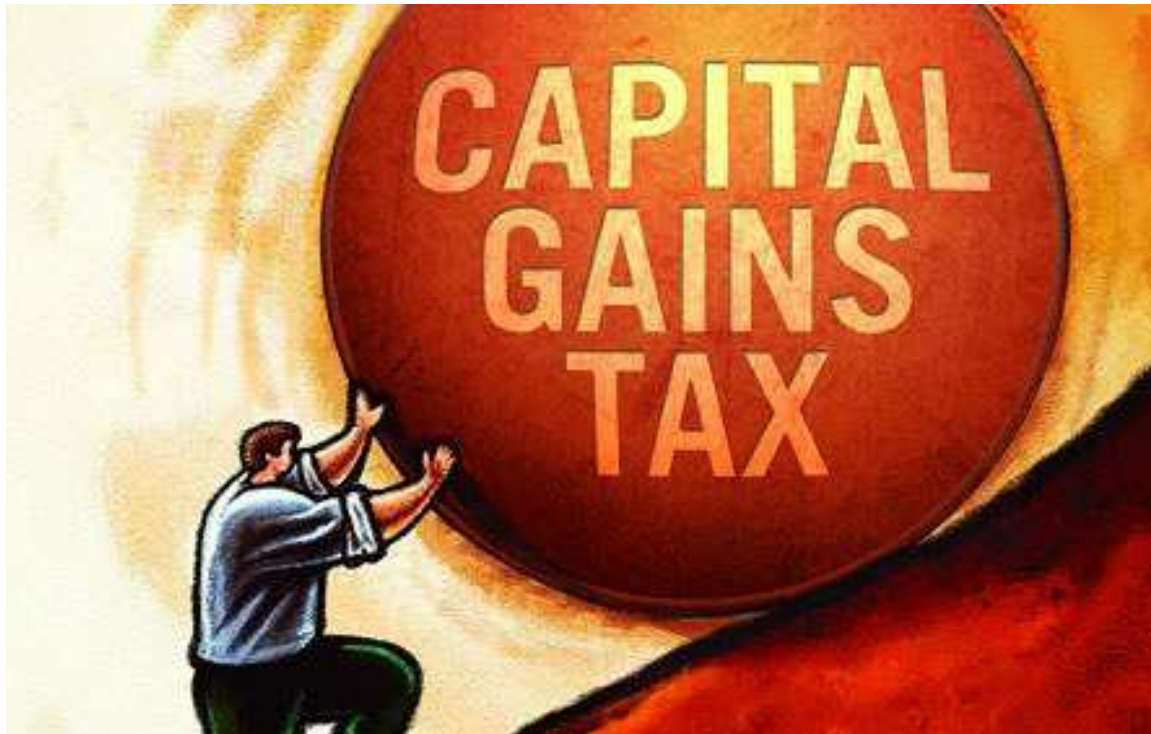
Body Corporate Fees	\$	2,149,131,657	4.96%
Depreciation & building write-off	\$	5,528,713,041	12.75%
Council Rates	\$	3,081,554,164	7.11%
Insurance	\$	1,433,732,706	3.31%
Interest on loan(s)	\$	21,224,250,270	48.94%
Land tax	\$	880,650,339	2.03%
Property Agent fees/commission	\$	2,545,459,565	5.87%
Repairs and maintenance	\$	2,568,907,882	5.92%
Others	\$	3,951,909,618	9.11%
	\$	43,364,309,242	100.00%

# Statistics

Source: ATO Taxation Statistics



# Capital Gain Tax





# Capital Gain Tax

## Basics

... tax on capital gain arises from the disposal (sale) of an asset

... including investment property acquired after 19 September 1985



# Capital Gain Tax

## Exemption

- Pre-20 September 1985 property
- Property for private use (family home)
  - Principal Place of Residence (PPR)
- Others



# Capital Gain Tax

## Non-Residents

- No longer eligible for 50% CGT discount on capital gains earned after 7 May 2012
- Still entitled to a discount on capital gains accrued before 8 May 2012, provided they obtain a market valuation
- Law passed on Friday, 28 June 2013





# Capital Gain Tax

## Example

- John is a non-resident for tax purpose of Australia.
- On 1 August 2006, John purchased an apartment in Melbourne for \$400,000.
- John obtains a market valuation of the apartment on 9 May 2012. The market valuation is \$500,000.
- John sells his apartment on 1 June 2017 for \$650,000.
- John makes a total capital gain of \$250,000. Capital gain attributable to the period prior to 8 May 2012 is \$100,000.



# Capital Gain Tax

## Under the old law

John can apply 50% CGT Discounts in respect to all capital gains.

John's assessable capital gain is \$125,000 (50% of \$250,000).

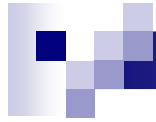


# Capital Gain Tax

## Under the new law

John can only apply 50% CGT Discount in respect to \$100,000 as it is attributable to the period prior to 8 May 2012.

John's assessable capital gain is \$200,000 (50% of \$100,000 + 100% of \$150,000).



**How do property investors  
minimise capital gain tax  
when purchasing  
Australian properties?**



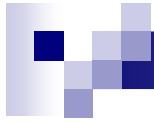
# Strategies

- Twelve months hold
- Disposal when taxable income is low
- Use of carry forward tax losses (rental)
- Capital gain offset against capital loss
- Timing of offset



# Strategies

- Family home exemption
- Revaluation – change of use
- Six years rules
- Renovations and capital repairs
- Selling expenses
- Don't sell but reinvest



**Update**



# **FIRB Changes**

Foreign Investment Review Board  
changes

Tightening of foreign investment rules  
with emphasis on residential and  
agricultural sectors





# Reporting

Australian Taxation Office (ATO) will process foreign investment data in relation to residential real estate

1 December 2015, ATO taken over all residential land acquisition functions of FIRB



# Reporting

ATO better resourced to access information through data matching with various state and federal agencies, immigration and tax records

**Wider implication than just FIRB approval**



# Capital Gain Withholding Payment

Applicable to **foreign resident** dispose of certain taxable Australian property.

Purchaser will be required to withhold and pay to ATO 10% of the purchase price\*.



# **Capital Gain Withholding Payment**

Apply to contracts entered into on or  
after 1 July 2016.

Legislation is now passed as law as of  
25 February 2016.



# Assets

Limited to taxable Australian property:

- Real property (residential and commercial);
  - Grant of lease over real property;
    - Mining rights;
- Interests in Australian entities (property or interests) – indirect interest;
- Options or rights to acquire (property or interests).



# Exclusions

- Real property transaction with a market value under \$2 million;
  - Transactions listed on an approved stock exchange;
  - Foreign resident vendor is under external administration or in bankruptcy.

# Tax Filing





# Income Tax lodgement

- ❖ Financial year: 1 July – 30 June
- ❖ Due date for individual income tax
  - 31 October
  - Tax Agent's EOT





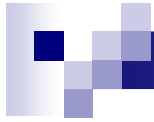
# **Income Tax rates**

- ❖ Resident
- ❖ Foreign resident



# Get started ...

- ❖ Tax File Number
- ❖ Tax information ... checklist
- ❖ Tax Depreciation Schedule
- ❖ Frequently Asked Question



**Questions?**





# Thank you!!



## **GC & Associates Pty Limited**

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