

# HOW TO USE YOUR TAX TO INVEST IN PROPERTY

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PAY LESS TAX WITH PROPERTY INVESTMENT



A GUIDE BY REVENTON INVESTMENTS



# INTRODUCTION

Welcome to Reventon. In this eBook we share insights from our extensive experience in property investment and tax strategies. Since 2005, we've been dedicated to making property investment accessible and understandable, especially for those new to the market or with limited time.

Our mission is to make property investment both accessible and understandable, particularly for newcomers and those with limited time. Our expert team is committed to guiding you in leveraging your tax in a way that significantly boosts your property portfolio, aiming to demystify the process and empower you with practical knowledge.

This eBook is crafted to be more than just a guide; it's a comprehensive tool designed to help you transform tax liabilities into lucrative investment opportunities. By joining us on this journey, you'll unlock new potentials in the property market and pave your way towards financial freedom. Let's embark on this exciting journey together, as we explore the possibilities and opportunities that await in the world of property investment.

# HOW DOES IT WORK

The Australian Government offers significant tax incentives for property investment for two main reasons:

1. Addressing the Housing Shortage: Australia is currently facing a substantial housing shortage. The government relies on private investors to build and construct new properties, not just for rental purposes but to address the housing needs of millions of Australians. These tax incentives are particularly substantial when you invest in building new properties, recognizing the role of private investment in alleviating the housing crisis.



2. Supporting an Ageing Population: With the national life expectancy increasing, the government pension system is under strain and may not be sufficient to support Australians in their retirement. To encourage self-funded retirements, the government offers tax incentives for property investment. This approach not only helps individuals plan for their retirement but also addresses the broader challenge of an ageing population. By offering tax breaks for building and constructing new properties, the government is creating a dual solution that supports both the housing market and retirement planning.

These incentives are part of a broader strategy to encourage investment in the property market, which in turn supports economic growth and addresses social challenges. The tax benefits available for property investors include deductions for depreciation, loan interest, and other rental expenses, making property investment an attractive option for building long-term wealth.

# LET'S DIVE INTO OUR TOP TAX TIPS



# TAX TIP #1

You might be surprised to learn that you're likely paying more tax than necessary.

The Australian Tax Office (ATO) provides all the necessary tools for tax deductions, but without a deep understanding of these tools, you might miss out on significant savings. The government won't proactively inform you about these missed opportunities, so it's crucial to take proactive steps.

The key is to maximize your tax refund by claiming all eligible expenses related to your investment property. Many property owners only claim basic wear and tear, but the scope of what you can claim is much broader. Since the ATO views your property investment as a means to generate income, you're entitled to claim a variety of legitimate expenses.

Here's a simple formula to understand how it works:

$\text{Annual Income} = \text{Annual Wage} + \text{Annual Rent}$

$\text{Annual Income} - \text{Expenses} = \text{Final Annual Income}$

$\text{Final Annual Income} - \text{Tax \%} = \text{Tax Savings}$

Eligible expenses for claims include:

- Loan interest and bank fees
- Cleaning and maintenance costs
- Property management fees
- Gardening and lawn mowing services
- Council rates and insurance costs
- Costs for cutting keys

After accounting for these expenses, many investors find their taxable income significantly reduced, leading to substantial tax savings. Furthermore, there are options to make claims in advance, which we will explore in the next section of our tax tips. By understanding and utilizing these tax deductions, you can make your investment property more tax-efficient and potentially save thousands of dollars.



## UP NEXT: MAKING TAX CLAIMS IN ADVANCE



# TAX TIP #2

## Mastering Depreciation: Your Key Tax Strategy

### Understanding Depreciation as a Powerful Tax Tool

Depreciation is a concept that savvy investors often use to their advantage, and it's likely to become your favorite tax strategy. In the realm of property investment, while some aspects of your property may appreciate in value, others, like fixtures and fittings, depreciate over time. The Australian Tax Office (ATO) recognizes this depreciation for certain investment assets and offers tax deductions to compensate.

### Understanding Depreciation as a Powerful Tax Tool

Consider this example: you purchase a new property with a carpet valued at \$4,000. The ATO deems that the carpet has a lifespan of 10 years, meaning it will fully depreciate over this period. As an expense related to your investment property, you're entitled to claim this depreciation. While you can't claim the entire \$4,000 in the first year, you can claim it in increments of \$400 each year for a decade.

## Expanding Your Depreciation Claims

Depreciation isn't limited to just a few items. In fact, there are over 200 items you can claim each financial year. This includes a portion of common areas in multi-residential properties, wall paint, furniture, and even the depreciating value of the building itself at a rate of 2.5% per year.

### Getting Started with a Depreciation Report

To leverage this tax strategy, begin with a depreciation report prepared by a quantity surveyor. This report will detail the depreciating value of various components of your property in an easy-to-understand format. Your accountant can then use these figures to maximize your tax return.

### The Strategic Advantage of Depreciation

Utilizing depreciation effectively can significantly reduce the costs associated with owning an investment property. This strategic approach positions you to better handle market fluctuations, such as interest rate rises, and can enhance your equity, giving you more leverage to reinvest. Understanding and applying these tax rules can be a game-changer in your investment journey.

# UP NEXT: PAY LESS TAX WHEN SELLING





# TAX TIP #3

## Maximizing Tax Benefits on Property Sales

### Understanding Capital Gains Tax (CGT) Discount for Property Investments

When you sell an investment property for a profit, the tax implications are different compared to other types of assets. Normally, capital gains from assets are fully taxed as income. However, for property investments, the Australian Tax Office (ATO) offers a significant tax advantage known as the CGT Discount. This means you're only taxed on half of the profit you'd normally pay tax on with other investments.

### Why the Government Favors Property Investment

The Australian Government promotes property investment as it's considered a stable and secure way to build wealth over the long term. This not only helps reduce the government's pension liabilities but also encourages the addition of new properties to the market. New properties benefit first home buyers and other investors, and help alleviate supply and demand issues by increasing available rental properties.

### The Key Requirement: Holding Period

There's one important condition to qualify for this tax incentive: you must hold your investment property for at least 12 months.

## Comparing Investment Scenarios: Property vs. Non-Property

### Scenario A (Non-Property Investment):

Capital gains from the investment are fully included in your annual income calculation for tax purposes.

#### Calculation:

Annual Income + \$200,000 Capital Gains  
= New Annual Income.

Then, calculate tax on this New Annual Income.

### Scenario B (Property Investment with CGT Discount):

Only 50% of the capital gains from your property investment are included in your annual income for tax purposes.

#### Calculation:

$\$200,000 \text{ Capital Gains} / 50\% = \$100,000 \text{ Capital Gains.}$   
Add this to your Annual Income to get the New Annual Income, and then calculate tax on this reduced amount.

By understanding and applying these tax rules, property investors can significantly reduce their tax liabilities when selling their properties, making property investment an even more attractive financial strategy.

**UP NEXT: PROPERTY IS  
THE #1 VEHICLE TO  
MINIMISE TAX IN  
AUSTRALIA**

## Unlocking Maximum Tax Savings with Property Investment

To truly capitalize on tax savings year after year, property investment stands as the unparalleled choice. It's a unique investment avenue where you witness capital appreciation while gradually paying it off. This dual benefit of growing value alongside manageable repayment is a key highlight of property investment.

### Why Property Investment Reigns Supreme

Property is the only asset class where banks exhibit extraordinary confidence, often lending up to 95% of its total value for investment purposes. This level of trust from banks is a testament to the stability and security of property investment in Australia. Banks, known for their aversion to risk, clearly signal the reliability of property as an asset through their willingness to offer substantial loans. This is not just a financial strategy; it's a strong endorsement of property investment as the safest asset class in the country.

### Property Investment: A Universal Tax Minimization Tool

Regardless of your income bracket, property investment emerges as the most effective tool for minimizing tax liabilities. Its universal applicability across different financial situations makes it an attractive strategy for anyone looking to enhance their financial health through smart tax planning.

In essence, property investment is not just about building assets; it's about strategically positioning yourself for long-term financial success and tax efficiency.

# NEXT STEPS

## Next Steps: Book a Free Property Investment Discovery Session

### Embark on Your Journey to Financial Freedom

Are you ready to unlock the potential of property investment? We invite you to book a free- no-obligation, Property Investment Discovery Session with our team of senior investment experts. This is your opportunity to explore the vast possibilities that property investment offers and how it can be tailored to your financial goals.

### Why Attend Our Discovery Session?

- **Personalized Guidance:** Receive expert insights tailored to your unique financial situation.
- **Learn from the Best:** Our senior investment experts bring years of experience and success in property investment.
- **Understand the Market:** Get up-to-date information on current market trends and how they can benefit you.
- **Strategic Planning:** Learn how to strategically plan your investments for maximum tax efficiency and growth.
- **No Obligation:** This session is completely free, with no obligation to commit.

If you haven't received a phone call from our investment associates within 24 hours of downloading this eBook you can book a meeting yourself on our website:

<https://reventon.com.au>

