

property investment issues

- sale of primary residence is exempt from **capital gains tax** (CGT)
(but if property was rented at some stage → apportionment)
- for investment properties, need to keep **records** of:-
 - initial costs of purchase (including legal costs and stamp duty)
 - capital expenditures for property improvements, subsequent to purchasein order to **maximise cost base** (and minimise CGT) for the year in which property is sold
- buy the property in whose name?
 - depends on tax impact of **negative gearing**
 - to minimise CGT, don't buy any property in **company** name
- for bank loans, names of borrowers should align with names of property owners to ensure **tax-deductibility of interest** paid on borrowings
- for investment properties built after 1985, be aware of "**special building write-off**" allowance [get relevant info from vendor before purchase settlement]
 - 4% p.a. of original construction costs
(when construction commenced 18/7/85 – 15/9/87)
 - 2.5% p.a. of original construction costs
(when construction commenced after 15/9/87)
- 3 types of property
 - residential – exempt from **GST**
 - commercial – GST may apply } income threshold for GST
 - industrial – GST may apply } registration is \$75,000
- for investment properties (e.g. beach apartment), keep track of number of days of **private use**, and advise accountant at year-end