



TAX EFFECTIVE
PROPERTY STRATEGIES
FOR AUSTRALIAN
CITIZENS LIVING
ABROAD

**NOT investing in property
back home BEFORE you
return can mean you
could pay twice the
amount of tax you have to
after your return.**

WHY YOU SHOULD CONSIDER INVESTING IN NEW RESIDENTIAL PROPERTY IF YOU WILL BE RETURNING TO LIVE IN AUSTRALIA IN THE NEXT 2 TO 10 YEARS.

THE SOONER YOU START, THE
GREATER THE POTENTIAL BENEFIT.

How does buying a property back home
before I return help me?

Here's how it works: (simplified)

Let's say you will be working after you arrive in
Australia, with either joint or single incomes of say a
total of AUD\$15,000 per month, or AUD\$180,000 per
annum.

To keep the figures simple, we will assume it is a single
income.

EXPAT “A”: They invest in NO property.

	AUD
■ SALARY AFTER ARRIVING:	\$180,000
■ APPROX TAX PAYABLE:	(54,550)
■ NET INCOME	\$125,450

This is the situation with many expats.

COMPARE THE SITUATION WITH EXPAT “B” WHO PURCHASED 2 INVESTMENT PROPERTIES. WHAT A DIFFERENCE!

Expat “B” purchases 2 new apartments in Australia for say AUD\$500,000 each using AUD\$100,000 as deposit, borrowing \$400,000, around 3 years before migrating.

YEAR ONE AFTER ARRIVING: (all figures AUD\$)

	INCOME	\$180k
Plus	RENT on 2 apartments	52k
Less	TAX BENEFITS THIS YEAR 2 apartments	(90)
Less	TAX BENEFITS Accumulated (\$19 x 3 years x 2 apartments) <small>see last page</small>	(114)
=	Taxable income	28
Therefore	APPROX. TAX PAID	<hr/> 1,862

YEAR TWO:

INCOME	\$180k
RENT	52k
TAX BENEFITS THIS YEAR	(90)
TAXABLE INCOME	142
TAX PAID APPROX.	40,487

YEAR THREE AS PER YEAR TWO

SUMMARY:

Expat "A" (no property) pays *\$163,650 tax in the first three years after arrival.*

Expat "B" (property investor) pays **AROUND HALF THAT AMOUNT, approx \$82,836 in tax.**

But what if I buy a property for investment AFTER I arrive, but NOT before?

If you buy a new apartment in Australia for say AUD\$500,000, using:

AUD\$100,000, as deposit, borrowing \$400,000 AFTER you have arrived in Australia, it is STILL good, but nowhere near as good as buying BEFORE you arrive:

AFTER ARRIVAL IN AUSTRALIA:	With 1 Prop.	Two Prop.
SALARY AFTER ARRIVING:	\$180k	\$180k
RENT FROM PROPERTY	26	52
TOTAL TAXABLE INCOME:	206	232
Less Tax deductions	(45)	(90)
New taxable income	\$161	\$142
Tax payable approx	(\$47,547)	(\$40,487)
Net income approx	\$132,453	\$139,513

SUMMARY:

	NO PROPERTY	ONE PROPERTY	TWO PROPERTIES
Net income	\$125,450	\$132,453	\$139,513

The investor with two properties pays less tax, has higher disposable income, and can also enjoy the potential growth on \$1 million dollars worth of assets. No wonder the “rich get richer.”

SUMMARY OF BUYING BEFORE MIGRATING (INCLUDING 6 % CAPITAL GROWTH AFTER SIX YEARS- 3 years before migrating, 3 year after migrating)

	NO PROPERTY	TWO PROPERTIES	DIFFERENCE
TAX PAID	(\$163,650)	(\$82,836)	+\$80,814 (163,650-82,836)
PLUS CAPITAL GROWTH @6%*	NIL	\$418,518	+\$418,518
TOTAL DIFFERENCE			+\$499,332

*Even if capital growth is 5%, or 4%, there remains a huge difference.

EXECUTIVE SUMMARY:

This simplified summary can show you the tremendous potential benefits (little understood by many expats) that may be possible by simply taking action before returning and acquiring some prime located, brand new investment property.

Of course, you should NEVER buy just because of tax planning, BUT if you think it is a good investment, you get the ADDED benefits of tax relief.

This strategy has been used by expats for years, with many returning to Australia to work and live tax free for a long period. It is fully transparent, does not need complicated company structures, and is fully legal. As always, check with your own advisors before making tax or investment decisions.

We strongly recommend you buy "The Aussie Expat - The Luckiest Person on Earth" by Steve Douglas.

HOW TO DETERMINE THE TAX BENEFITS ON A NEW PROPERTY:

Example:

Unit Price/Value		\$500,000
Mortgage @	80%	400,000
Cash Equity Invested:		
1st Deposit (Now)	10%	50,000
2nd Deposit (Due on completion)	10%	50,000
Plus Costs:		
Stamp Duty:		1,520
Legal's:		2,000
Bank Fees:		2,500
Others		0
Total Cash outlay:		106,020
Investment Loan Repayment @6%	6%	24,000

How to calculate the Tax Benefits

Weekly rental income:	500
Annual rental income (weeks)	26,000

Expenses/Tax benefits

Rates/Body Corporate/Agents fee and Management	(4,390)
Interest on Mortgage	(24,000)

Depreciation	(12,800)
Travel, Stationery, etc	(3,500)
Tax Agents Fee	(350)
Total tax deductions	<u>(45,000)</u>
Tax credit available this Year (rent less deductions)	(19,040)

NOTE FOR INVESTORS: The rent \$26,000 less expenses (\$4,390 + \$350) and bank interest (\$24,000) comes to just (\$2,740) per year. (Your holding cost)

Disclaimer

The information contained herein is an extremely simplified summary of our understanding of the Australian Government's current tax treatment of property investment, and should not be used in any actual transaction without the advice and guidance of a professional Tax Advisor who is familiar with all the relevant facts. The information contained here is general in nature and is not intended as legal, tax, property or investment advice. Furthermore, the information contained herein may not be applicable to or suitable for the individuals' specific circumstances or needs and may require consideration of other matters. Whilst every effort has been made to ensure complete accuracy, tax matters are ever changing and are complicated, so we do not guarantee, and are not liable for the truthfulness, accuracy, effectiveness, or any resulting effects of the use of any information contained herein. It is advised and it is the responsibility of all migrants and intending migrants and/or returning expats or investors to seek proper instruction and/or seek professional assistance in all matters regarding taxes. We are thus held harmless, released of, and users of information contained herein assume full responsibility for, any violation of Tax laws and/or Tax procedure, and any other legal liability resulting from use of any information contained herein. This is not an inducement to buy any property, and is provided for information purposes only.