

Noel's advice for property investors

By Noel Whittaker / National Features / January 06, 2013 5:00PM

PROPERTY is Australia's most popular investment, and it's also full of tricks and traps for the unwary.

Finance author Noel Whittaker answers reader questions every week and real estate always rates highly among the topics.

Here are some of his property questions and answers from the past year.

Q: WHY does the Government give property investors tax breaks when they buy multiple homes? Does this not increase the price of houses and weekly rents?

A: When you are talking about negative gearing, there are tax breaks because the Government considers that owning an investment property is carrying on a business. Therefore, you are able to deduct reasonable expenses. Obviously, this creates demand for properties which would tend to drive up prices but, because it increases the supply of rental properties, it should in theory tend to keep down the price of rent.

Q: I WOULD like to invest about 50 per cent of my super into an income-producing property such as a house or unit. If I start a self-managed fund for this purpose, can I transfer money from my accumulated super fund into the self-managed fund without it being limited by contribution caps, given that I am over 65?

A: You can roll funds from one super fund to another without breaching the contribution caps, but think before moving money from a diversified portfolio into income-producing property. As properties age, they require more maintenance and are less attractive compared with newer properties.

Q: I AM semi-retired and have a rental property which was bought with another party in 1970. We lived in it until 1994 and since then the property has been rented. We are now planning to sell it can you tell me if I will have to pay capital gains tax? I own another property which I've lived in since 1994.

A: As the property was acquired prior to September 20 , 1985, it is a pre-CGT asset and no CGT will be payable on sale.

Q: I INHERITED my mother's home five years ago and have since rented it. The property was valued at \$1.1 million when I inherited it but has since fallen to about \$800,000. If I sold the property at that price, what tax, if any, would I pay?

A: I assume the property was your mother's residence, in which case you would have inherited it at its market value on date of death. Therefore there would be no capital profit or tax to pay if you sold. Talk to your accountant before you sign any contracts.

Q: AS A rule of thumb, if I pay \$30,000 interest on my investment property, how much of the \$30,000 should I expect to receive as a tax refund?

A: It would depend on your tax bracket because the deduction would take effect at your marginal rate. If you earned \$120,000 a year you would save 38.5 per cent, and if you earned

\$70,000 you would save 32.5 per cent. Keep in mind that depreciation is a major source of tax deductions. I assume you have outlaid the money for a quantity surveyor's report.

<http://www.couriermail.com.au/realestate/investing/noels-advice-for-property-investors/story-fndboir2-1226549340222>