TAX with Shukri Barbara

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ALWAYS CONSULT A SPECIALIST

It is wise to include an accountant in your team of professionals who will guide you through your investment journey, writes **Shukri Barbara**

It is prudent for investors to discuss their circumstances and needs with an accountant or property tax specialist, who not only listens to what is being expressed in words, but understands life's situations enough to help articulate your objectives and the short-term goals for your property investment.

Discussions should include topics such as age, marital status, children and lifestyle. This should be followed by a discussion on your financial position, including property and other assets and associated liabilities, and cash flow, including revenues from salaries, investments and expenses.

It is also helpful to discuss future plans and measure any expected available income against likely expenses. Having children will generally reduce your cash flow for a few years, until they are independently at school.

Before buying a property, it is valuable to have a basic understanding of how the tax system impacts your specific circumstances. This could include tax savings from negative gearing strategies, tax liabilities from capital gains tax and positive rentals, and state taxes such as stamp duties and land tax.

You should also discuss timing and intention: short-term and long-term ownership dictate different strategies and structures. As do intentions, especially where there is likely to be subdivisions or renovations of the IP, including the addition of granny flats. In addition, talking about GST is essential when it comes to proposals for development and resale at a profit.

LIFESTYLE, AGE, MARITAL STATUS AND PLANS FOR CHILDREN SHOULD BE DISCUSSED

With low returns from retail superannuation funds, you could consider acquiring property in a self-managed superannuation fund (SMSF), now that funds are allowed to borrow. Benefits, especially lower tax rates, should be compared to set-up and administration costs – some properties are better suited than others. It is also important to note that funds are accessible only on retirement, with no tax after age 65.

Before acquiring any investment, especially an IP, it is essential to discuss risk profile and ownership structures, like whose name the IP will be held in. Knowing the risk profile of an investor helps in determining the ownership structure. If you are a high-risk profile, such as a medical practitioner, lawyer, property developer or hospitality industry person, you may need to consider more complex arrangements to properly plan for your families and protect your assets. So, knowing the pros and cons of ownership structures is critical.

Understanding individual circumstances helps to create an ownership structure that balances planning to minimise tax on the one hand, and protects assets on the other. Experienced investors should review their complete positions with an accountant or property tax specialist before buying the next property, to determine the most appropriate ownership structure.

As a property investor, you should be looking for advice and support from accountants with life experience – practical as much as technical. ■

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Shukri Barbara is a certified practising accountant, chartered tax adviser and principal adviser at Property Tax Specialists