
Maximize Your Income with The Tax Secrets of The Rich

Creative Strategies For Accelerating Your Financial Freedom And Massively Grow Your Wealth

There are a number of tax laws that you should know if you are going to be a property investor or in business. First of all, depreciation is a tax deduction for not spending any money. It is the tax deduction on your properties, for the depreciating value of the building or fixtures and fittings that might be inside that particular building.

To claim any depreciation on your tax return you will need a qualified quantity surveyor's report. On July 18, 1985, a law was introduced that said that you can now depreciate or get a tax deduction for the decreasing value of your building if it is used for income producing purposes. When the law was first introduced, the rate you could claim was 4%, but in July of 1987, they reduced it to 2.5% and that is where it has remained ever since. So if your building that you bought as an investment property was built after that date, you will be able to claim some depreciation as a tax deduction regardless of whether you have spent any money or not. If you had a property that has had a major renovation since July 1985, then you could claim the depreciation on that renovation but you need a quantity surveyor to assess the costings for the depreciation in order to claim any deductions.



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Although depreciation is fantastic you do need to be aware that when you sell the property, those deductions that you have been claiming will get added back into the profit and you will have to pay capital gains tax on that.

Home Offices

Another tax deduction is if you are running a home office, for instance if you are a teacher and you mark papers or prepare classes at home. If you have a separate office that is one-tenth of the size of the house that you live in then you can basically claim one-tenth of the electricity as well as the depreciation on the carpeting in that office, the filing cabinets, desks, the professional library, the computer, even the brief case that is use to carry all of those kid's papers to and from school. If you are renting your home you could claim one-tenth of your rent but, if you own the property, you cannot claim one-tenth of your interest bill. These are the sorts of things that you can claim for a home office.

However, if you are an IT consultant and you actually work or conduct your business from home, it becomes your place of business rather than a home office even if it is the same one-tenth office size. A place of business is different in that it means that you can claim all the same things as a home office, but additionally, if you own your property, you can also claim one-tenth of the interest that you pay on your mortgage and rates and everything else associated with the ownership of that property.

But again, when you sell that property, one-tenth of the gain that you make on your own home, which would normally have been exempt, will be subject to capital gains tax on the same percentage as what was claimed.

Let us say you are a property investor or you take it a step further and are a developer, your business now is property. So you have one structure that is subdividing, or building units, whatever, the tax deductions for that entity are suddenly now much broader.

Travel Expenses

Firstly, if you visit the construction site to things, all of your travel would be tax deductible. However, if you were an employee of that entity that owned this development and as an employee, went to check on this site, and you needed to be away for 5 days because this site is some distance away then you could get a travel allowance to cover all of the travel expenses. If the travel allowance is paid in accordance with what the tax officer has set down to be a reasonable rate for rural Queensland, it includes set amounts for accommodation, breakfast, lunch and dinner and an additional amount for incidentals (the tables can be downloaded from the Australian Tax Office website).

Travel Allowances

If your employer agrees to pay you an allowance, then regardless of how much money you actually pay for your accommodation, the amount will go on your employment summary (or group certificate) and you can claim that entire amount on your taxable income without requiring any substantiation, because it is paying within the accorded limits. You received it as a travel allowance

for doing that amount of work, so you claim it as a fully expanded amount in your tax return. You can do that for up to 21 days away. It also applies to international travel and the rates are all set down depending on what country you are in etc. These are the types of things that you start to bring in to your reality. You need to be doing this stuff automatically.

Inheritances

If you inherit a property because your great Aunt Bertha died and left her house to you and you do not know whether you should sell it or whether you should keep it. If you decide to sell it one day after the two years since great Aunt Bertha died you will have just made a fatal mistake. This is because you now have to pay capital gains tax on that property from the value of what it was on the day Aunt Bertha died to the day you sold it. However, had you sold it two days earlier inside that two-year timeframe, you would not have had to pay any capital gains tax at all. So there are all of those types of things that you need to become aware of so that you are not ignorantly selling Aunt Bertha's property two years and one day later and having to pay capital gains tax. That can be thousands of dollars unnecessarily.

GST

If you do a major renovation on a property and you substantially change the nature of your property, you are in effect selling a new property. Therefore, when you sell it, even though you may not have paid GST when you bought the property you have to pay GST because you essentially have changed that nature of that property; it is now a new property and there is a GST charge on new property.

What if you bought a house and land package, you contracted the builder to build house and then you decide to sell it after either living in it or renting it, or directly after its completion? You have now, created a new property therefore it is subject to GST and you have to pay GST when you sell it irrelevant of whether you can charge the GST or not. It becomes part of the sale price which affects your profit. Alternatively if you actually kept it and rented it for five years you would no longer have to pay GST on it because it is no longer a new property.

If you bought the property as house and land package from the builder complete, you do not have to pay GST on the property because the builder was the first sale to you. He is the one that has to pay GST on it. You have to pay more in stamp duty because of the higher value when you bought it, but it is not the first sale.

Other deductions

How can you claim a tax deduction for dog food? It is a funny question but it is a valid one. Looking at this, if you needed security for instance and you had a business where you might need a guard dog to guard your property, and this is not going to be a Chihuahua, anything associated with that security would then be a tax deduction including dog food, vet bills etc.

Many years ago in my early years in my accountancy practice, I had a lot of clients at Lightning Ridge. In Lightning Ridge they mine opals and a lot of individual people out there have got their own mines in which they mine these opals.

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A security measure needed for an opal miner to protect their opals is to protect from what they call 'ratters'. Ratters are thieves that go down into the mine at night and mine out the opals and are gone by the time the miners come the next morning. So one of the security measures that miners employ are not dogs, but black snakes. So for an opal miner, you can actually get a tax deduction for these black snakes as well as for the mice which are fed to the black snakes and any other costs to keep them.

Sincerely Yours,



Dymphna Boholt
My Real Estate System

**Mark This Date Down in Your Diary:
Wednesday September 3, 2008 @ 10am**

I'll be launching my **Ultimate Real Estate Coaching Program** that is achieving outstanding results for many of my past students.

The offer on the day will be **limited to 150 students** and the investment will be the last time I'll be offering it at this price.