

TAX EFFECTIVE
PROPERTY
STRATEGIES FOR NEW
MIGRANTS GOING TO
AUSTRALIA

**Not investing in
property BEFORE you
migrate can potentially
cost you hundreds of
thousands of dollars.**

WHY YOU MUST CONSIDER INVESTING IN NEW RESIDENTIAL PROPERTY IF YOU WILL BE GOING 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 in Australia help a new Migrant to Australia?

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.

NEW MIGRANT “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 90% of all new migrants.

COMPARE THE SITUATION WITH NEW MIGRANT “B” WHO PURCHASED 2 INVESTMENT PROPERTIES BEFORE MIGRATING. WHAT A DIFFERENCE!

New migrant “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	(90)
Less	TAX BENEFITS Accumulated (\$19 x 3years)	(57)
=	Taxable income (carried forward to next year)	(85)
Therefore	TAX PAID	<hr/> NIL

YEAR TWO:

INCOME	\$180k
RENT	52k
TAX BENEFITS THIS YEAR	(90)
TAX BENEFITS NOT USED FROM LAST YEAR	(85)
TAXABLE INCOME	57
TAX PAID APPROX.	(10)

YEAR THREE

INCOME	\$180k
RENT	52k
TAX BENEFITS THIS YEAR	(90)
TAX BENEFITS NOT USED FROM YEAR 2	(0)
TAXABLE INCOME	142
TAX PAID (approx)	40,490

SUMMARY:

New migrant “A” (no property) pays \$163,650 tax in the first three years after arrival.

New migrant “B” (property investor) pays just \$35,326 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 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	(\$47,520)	(\$40,490)
Net income	\$132,480	\$139,510

SUMMARY:

	NO PROPERTY	ONE PROPERTY	2 PROPERTIES
Tax paid	\$54,550	\$47,520	\$40,490

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 (\$54,550 x 3 years)	(\$163,650)	(\$50,490)	+\$113,160 (163,650-50,490)
PLUS CAPITAL GROWTH @6% COMPOUND	NIL	\$418,518	+\$418,518
TOTAL DIFFERENCE			+\$531,678

EXECUTIVE SUMMARY:

This simplified summary can show you the tremendous benefits (little understood by most new migrants) that may be possible by simply taking action before migrating 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, as you are adding to the supply of rental accommodation which benefits Australia.

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:		<u>106,020</u>
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)

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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

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