# Claiming max tax

## Pam Walkley reveals what you can get from the tax man

**MAKING SURE YOU CLAIM ALL** the deductions you are entitled to should be the aim of every property investor. And the end of the financial year is a good time to check. It sounds like commonsense but in some instances it's not so easy. Take Brian's case. "Over two years ago I bought an older-style '60s unit as an investment property," writes Brian. "It had been renovated throughout and the kitchen and bathroom were relatively new.

"Because of its age I really did not think I could claim much in the way of depreciation, but some mates tell me I could have substantial claims. They also say I could claim my deductions throughout the year rather than wait for tax time, giving me a higher disposable income. Can you help?"

Well Brian, you do have some pretty smart mates. "Kitchen and bathrooms renovations have the greatest depreciation allowances available to an investor," says

## There are a myriad other deductions

Tyron Hyde, director of quantity surveyor Washington Brown.

"Brian should get a quantity surveyor to inspect his property to separate the plant and equipment values, such as ovens and dishwashers, from the building allowance items, such as kitchen cupboards."

If Brian does this he will be able to depreciate his property faster and this will help with his cash flow. The quantity surveyor will look at existing items, such as blinds and carpets, which may be old but have some value attached to them that Brian can claim, Hyde says.

If the cost of renovations is not known because they were carried out by the previous owner, a quantity surveyor is qualified to estimate this. Brian can amend his tax returns for the past two years once he has his depreciation schedule, making it money well spent.

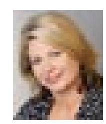
Costs vary but most reputable firms, such as Washington Brown, guarantee that if you don't save at least twice your fee in the first year the report will be free.

Claiming your tax deductions throughout the year instead of at the end of the year will improve your cash flow. Say, for example, your property produces a shortfall of $13,000 after all expenses and depreciation allowances are deducted from the rental income. You can claim this as a deduction from your income when you lodge your annual tax return. But if you do not want to wait for this, you can apply to the ATO to have the tax deducted from your salary varied downwards every time you are paid, to take account of investment losses.

What difference will it make? Say you earn $62,400 a year, or $2400 a fortnight on which you pay $520 tax, leaving you with $1880 in your pocket (2009-10 rates, including Medicare). Once you have your PAYG varied your taxable income will fall to $49,400 (although you will still earn $62,400) so you will pay only $352 in tax, giving you an extra $168 each fortnight.

Do make sure you do not overestimate the losses from the property or you may find yourself with a tax bill. There are a myriad other deductions available to you as a landlord. For a complete list visit the ATO website www.ato.gov.au.

### Property focus



**With Lisa Montgomery***

When lending rates dropped dramatically in the wake of the GFC, some highly leveraged borrowers became a little too complacent and are now feeling the pinch. Some are servicing around $300 to $500 more in monthly mortgage repayments. But there are options to make it easier, including:

- Eliminate multiple credit cards; reduce card limits. Aim to pay off or reduce any form of high-interest credit.
- Revise plans to renovate or reschedule those plans for later when rates are lower.
- Make mortgage payments fortnightly, not monthly.
- Keep a month's record of all spending and expenses and look for cutbacks.
- Decide whether you can affect your household earnings by changing the way you're paid so it improves cash flow and allows you to manage income more simply.

**Resi's head of consumer advocacy*

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