QS Corner

TIP #30

Welcome to QS Corner... this month we look to reduce your Capital Gains Tax (CGT)

I believe every year millions of dollars get paid in Capital Gains Tax that shouldn't be, and here's why:

When people renovate a property they are living in – they rarely keep records of they cost incurred on the upgrades that they make.

Then a baby might come along, a work opportunity overseas or any other reason that forces the property owner to turn that owner occupied property into an investment property.

Let's move on 5 or 10 years…the owners decide to sell the property.

NOW because the property has been partially owner occupied and partially an investment – A Capital Gain Tax (CGT) implication has been triggered.

So off they go to their accountant – and the accountant asks "have you got any receipts of what work you did to the property?? Because that will REDUCE the CGT Payable"

You see any improvements the couple made to the property whilst living there….INCREASES the cost base of the property – thus lowering the amount you will need to pay in CGT.

We are increasingly being asked by accountants to go to a property to estimate the improvements made or in some cases the whole construction cost.

This option may be more relevant in comparison to valuing the property at the point you moved out…due to property prices flattening.

Tyron Hyde is a director of quantity surveying firm Washington Brown. For more QS Corner tips and information on property depreciation including a FREE online tax depreciation calculator, visit washingtonbrown.com.au