



Tax break is cash in hand

NEGATIVE gearing is a helpful strategy that allows property investors to easily manage their investments.

But did you know that you can have your negative gearing or depreciation losses paid to you each week in your pay packet, rather than waiting to receive cash back at tax time?

It's a cash flow secret that even many seasoned property investors don't know about, but it's easy to set up and can give a significant boost to your weekly budget.

Home lender eChoice says that, typically, investors spend thousands of dollars per month on property-related expenses such as mortgage interest, council rates, property management fees and repairs.

If you don't receive enough rental income to cover all of those expenses, the Australian Tax Office deems that you have incurred a loss on the investment.

As a result, at the end of the financial year you can claim that loss against any

income tax paid through the year.

For instance, if the cost of owning and managing your property investment is \$2000 per month, and the rental income received is \$1500, then your monthly loss of \$500 can be claimed as a loss on your tax return.

Your annual loss can be used to offset the amount of income tax you're required to pay.

In this example, the loss of \$500 per month equates to \$6000 per year. If you pay 31.5 per cent tax (including the Medicare levy) that means you'll receive \$1890 back at tax time.

Why wait? The good news is you don't have to wait until the end of the financial year to receive those funds.

Instead of waiting for June 30 to roll around, you can adjust the amount of tax you pay on an ongoing basis, so that you receive the money in your pay packet each week or fortnight.

Essentially, this means that your employer deducts less tax from your pay.

If self-employed, you can opt to pay

less tax on your pay-as-you-go instalments.

In the above example, your property losses generate a tax rebate of \$1890 per year. This works out to a weekly refund of \$36.30.

In order to access this money in your pay packet each week, all you need to do is fill out a simple three-page form, known as a "Request for amendment of income tax return for individuals".

You'll need to return the form to the ATO in order to let them know what your expected expenses are likely to be from your investment property. You may also ask your accountant to do this on your behalf.

The form is then processed by the ATO, after which they will notify your employer to reduce the amount of tax they deduct from your pay each week.

Keep in mind that the form is only valid for one financial year, so you will need to submit a new form on July 1, the beginning of each new financial year.