

SAA HORNSBY

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Tax return for foreign investment on residential real estate in Australia

Many overseas clients, in particular clients from mainland China and Hong Kong, have sought our guidance on Australian tax return for investing residential properties in Australia.



1. What Australian tax return you need to keep in mind?

You need to consider two types of tax returns:

- Rental income tax return each and every year
- Capital Gain Tax (CGT) when your property is sold

2. Keep good records

Records for annual rental income tax return would typically include rental income, other rental income (eg, water fees recovered from tenants), body corporation fee, borrowing expenses, council rate, insurance, land tax, legal fee, loan interest, depreciation costs and other eligible costs. Records for Capital Gain Tax would typically include the



purchasing and selling contracts, settlement documents, stamp duty, and other relevant incidental costs like legal fee, advertisement cost, agent fee, etc.

3. Some special treatment for foreign investor

Foreign buyers are required to apply the purchase from the Foreign Investment Review Board (FIRB). Application fee can be used in the CGT tax return.

In each financial year, if the property is vacant for more than half year (ie, more than 183 days), a vacancy fee will be charged.



Foreign property owners would also need to pay a surcharge land tax. The rate of surcharge varies among jurisdictions.

4. How can we help you?

We can give you professional advice to ascertain your tax liabilities, obligations or entitlements in relation to your property. Australian tax system is rigorous and advanced. All claimed incomes and expenses should be based on evidences thus record-keeping is important. A wrong claim can be easily detected and attract additional ATO audit. We can help navigate through complex tax system to ensure your compliance and maximise your investment return.