

Our Tax Specialist Shukri Barbara From Property Tax Specialists

Shukri is a certified practising accountant, chartered tax adviser and principal adviser at Property Tax Specialists

**In today's webinar, we will be speaking to Shukri
about your taxation questions- Ownership
Structures...Objectives & Rationale, Plus Your
Timing**

Ownership Structure- Be Ready

- Starting point- Invest cash-flow positive property
- Opportunities come up fast
- If you haven't got the name for ownership deed ready... may end up with least best option
- Speak to a taxation specialist first up... Shukri's team can help here
- Minimize tax and increase cash flow
- High risk level? Structure to protect your asset
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Rationale and Objective for Particular Structure

- Land tax- different thresholds for different structure in different states
- Can move quickly if you have it ready
- Family succession discussion very important - use benefits to work on areas in life you want
- Require planning... Family succession planning- Discuss your objectives and what you want to achieve....1 to 1/2 hrs
- Information to make your decision.... Be informed and understand

Rationale and Objective for Particular Structure

- Formalities. Etc to follow
- 1 day to 1 month... The sooner you get this organised the better.
- Other properties, businesses, structures... Shukri looks at current total position and asses new investment to fit into what you have... or recommending something new
- Eg losses from other assets and offsetting positive cashflow property towards these... depending on what you have.
- Keep in mind you realistically cannot expect your tax specialist to turn around a structure in 1 day!

Disclaimer

- **Everything we are discussing is discussion, information and education only.... not advice**
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Question 1

- *In doing a JV with the owner, part of the profit share is leaving the owner with say one of four units developed for commercial lease. What are the implications going forward.'*
- referring to the original land or property owner... and providing a commercial property in exchange for the land.
- JV Concept comes out of mining sector- common company that shares expenses... when ore is extracted each takes out their share and sells

Question 1

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- referring to the original land or property owner... and providing a commercial property in exchange for the land.
- In property looks more like a tax partnership to the government - starting point of documentation is crucial
- Subdivision after construction?

Question 1

Assumptions

- Client made land available as part of JV deal
- Developer spends on DA, construction of 4 commercial units for lease
- Ownership split
- 1 unit in client's name
- 3 units in developer's name

Question 1

CONSIDERATIONS

- How does the deal start
- Is land sold into a new development entity
- If Yes – is there a transfer of the end product to the client
- Does land remain in client's name until project is complete
- How does the deal provide for the transfer to the developer
- When is the land subdivided
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Question 1

CONSIDERATIONS

- Before construction
- After completion
- Is this a partnership for tax purposes (partnership business - profit split depending on documentation) or
- A Joint venture – where each party deals with the end product independently
- The key here is the documentation

Question 1

TAX IMPLICATIONS

- Where land is transferred – tax considerations include
 - Capital gains on transfer/sale/deemed sale/change of use of land
 - Stamp duty
- Where the client continues to own the land or that portion of land
 - CGT is only applicable where a sale occurs
 - No sale – no CGT for that portion of land
- Does the deal equate the value of construction on lot 4 to the cost of land for the other 3 lots
- Cost base of the remaining lot for the landowner
- **Solicitor with Development experience & JV Type agreements** to help with documentation.
- Worth what you pay your solicitor and tax specialist.

Question2

- I have a property in a structure which is roughly \$12kpa positive cf. I have a depreciation schedule written up which reflects \$30k in deductions in the first FY. Can this be offset against my personal income? If so, all of it?
- A: No you cannot split it- Depreciation expense has to be claimed in the name of the entity whose name appears as owner on title deed (individual, SMSF Trust etc)... cannot spit it... can carry losses forward into future and offset losses etc.
- ‘Going concern’... possible confusion of terms to quantity surveyor... and how they interpret what you want & need

Question

- *Can we invest in Helen's scheme through a Superfund without consequences?*
- Development type of investment
- Group deals
- Superfund restrictions: Can invest but not go into business themselves
- LISTED PROPERTY TRUSTS - UNIT TRUSTS- CAN USE SUPER TO BUY
- It may be possible- speak to your accountant- tax advisor- Shukri & Amir

Question

- *Am guessing group deal investment will likely be in unit trust. Do you think that if you invest in such a unit trust that it will be good to invest with a discretionary trust without other assets so it could not taint the other assets or... do you think it would be ok to invest with a discretionary trust with other assets?*
- *The question relates to investing in the units of the unit trust by holding the units in a discretionary trust. It was intended to be an asset protection question....Other assets could be say shares*
- *.... That is, would there be any risk from holding the units of the unit trust, that hold the commercial property?...So if something in the commercial property goes wrong, a unit holder should not be exposed (No, assuming there's a corporate trustee in the unit trust with adequate insurance)*
- Depending on your circumstances
- If cash-flow positive deal- net income from owner- how income flows is important...
- Other assets... Some trusts have negatively geared properties... then find a way to direct positive cash-flow against negative gearing..

How To Contact Shukri & Amir For Your Questions And Assistance

- **Property Tax Specialists**

- Level 6, Suite 601C,
No.7 Help Street
Chatswood, NSW 2067



- Phone: 02 9411 8133
Fax: 02 9412 2833
Email Shukri Barbara
at: shukri@propertytaxspecialists.com.au
- <https://propertytaxspecialists.com.au>