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PROPERTY INVESTORS SHAVE THOUSANDS OFF TAX BILL WITH ONE SIMPLE TRICK

BMT Tax Depreciation says investment property owners can find thousands of dollars' worth of extra tax deductions this financial year with one simple tax planning trick: pre-paying property-related expenses before 30 June.

"A pre-paid expense is a payment you make this financial year for something that provides a service the following financial year," explained BMT Chief Executive Officer and experienced property investor, Bradley Beer.

Mr Beer said there are four basic expenses to pay in advance which can add up to thousands of dollars in tax deductions: loan interest, the cost of a tax depreciation schedule, strata fees and insurance.

"Pre-paying interest on an investment property loan allows you not only to bring forward the tax deduction but is a way to lock in a fixed annual rate for another year," said Bradley Beer.

Loan interest is the biggest tax deduction for property investors according to the Australian Taxation Office, coming in at an average claim of \$9,640 for financial year 2018/19.

Depreciation, the natural wear and tear of property and assets over time, can be claimed on rental properties using a professionally prepared tax depreciation schedule. The fee for preparing the schedule is another expense that can be pre-paid to boost this year's tax return.

"If you order and pre-pay for a depreciation schedule before 30 June, you can claim the full fee straight back this financial year," said Bradley Beer. "This is on top of the actual depreciation deduction, which is the second largest deduction to be claimed after loan interest."

Mr Beer also said that strata fees are typically tax deductible. Some will opt to pay a full year's worth of strata fees in advance to deduct the amount from their income in the present financial year.

"Depending on the number of communal amenities, strata fees usually fall between \$500 and \$2,500 per quarter," said Bradley Beer.

Premiums for property-related insurance such as building, contents and landlord policies are also pre-payable.

"If an investor paid their 12-month landlord insurance policy premium in full before 30 June this year, they could claim the whole amount in their 2020/21 financial year tax return," explained Bradley Beer.

"The key message is if you need to reduce a tax liability this year, make sure you get on top of your pre-paid expenses now. Failing to claim them in advance could mean waiting another twelve months to get the money back," concluded Bradley Beer.

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