

Income Tax Guide for 2013 and Variation for 2014

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Investors,

The start of the new tax year means preparing for your 2013 tax return and for property investors who are PAYG employees and expect to have an overall negatively geared position for 2014 tax year, it is time to submit a PAYG Variation form.

ATO 2013 Rental Property Guide is available from the ATO website. This is designed to help investors with their tax returns including what information is needed to be kept, what expenses are allowable deductions and covers the issues of ownership and apportionment of rental income and expenses accordingly and provides a reasonably comprehensive guide for depreciation.

<http://www.ato.gov.au/uploadedFiles/Content/MEI/downloads/ind00342353n17290613.pdf>

PAYG withholding variation application 2014 is also available. The use of the variation is where you expect that due to either additional income or additional expenses to be incurred during the 2014 year, that your normal tax deducted by your employer will not be sufficient or will be greater than needed, you can ask the ATO to instruct your employer to change the tax amount deducted from your salary or wage during the year. You do not need to do this and some investors prefer to wait until they submit their tax returns after the end of the financial year to receive a lump sum refund. My view is that cash in your hand now is far better than letting the government use it for 12 months.

Unfortunately the ATO only seems to have an online variation application available for 2014. The link is below. However there is a copy of the instructions and the application form on our website, under the Links & Info tab.

<http://www.ato.gov.au/Forms/PAYG-withholding-e-variation/>

Section A – complete your details, name address, TFN etc.

A11 Reason – would normally be ‘Negative geared property/s’

A12 Reason Code – 08A0

Section B – entering details of your employer (so ATO can instruct them) including details of what you are normally paid and when.

B8 Gross per pay – what your gross salary/wage is each pay period per payslip, i.e. \$800 per week

B9 Tax withheld per pay – what tax is deducted each pay per payslip.

B10 Pay frequency – tick whether you are paid weekly, fortnightly, monthly etc.

B11 Dates of last pay and next pay – simply the date on your last payslip and the date for your next payslip. This allows the ATO to more accurately calculate the tax to be deducted from the next pay until the end of the 2014 tax year. You can put in multiple variations during the year if circumstances change.

B12 & 13 Gross payment and tax since 1 July 2013 – these are the year to date amounts shown on your last payslip. If this is for your first pay, they will equal the amounts in B8 & B9 above. If you submit this variation in September, they will be different.

Section C – Rental details of your property/s. Percentage ownership is what is on the title deed, joint tenants are 50% owned, tenants-in-common could be any variation from 1%/99% to 50%/50%.

Section E – this is where you enter estimates of the annual amounts you expect for the 2014 tax year.

E1 Payments for work – (a) (i) enter total salary/wage, i.e. \$41,600 (if you are paid \$800 a week)

E9 Gross rent – amount you expect as gross rent for the year. I suggest you base this on 100% occupancy unless you are submitting this during the year and know it will be less.

Other items can be completed as applicable in this section.

Section F – Annual Deductions. My view is that you should be conservative in your estimates, i.e. higher rental income based on 100% occupancy at current rents and expenses based on normal deductions. It is better to be conservative on this and if rents are lower or expenses higher after the event, then you should still receive a refund after you finalise your tax return.

F3 Expenses related to rental property – this is where you enter your expected rental property expenses.

The spreadsheet we provide on our website will help you summarise your expenses into the format required to complete F3.

These forms are also available from our website under the Links & Info Tab – Information. This also includes an Excel spreadsheet which can be used to help summarise the information needed to be entered into the PAYG ITV form.

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If you have any questions about any of these topics, give me a call.