



PAT BARRETT
REALTY

Serving the Redlands since 1973

PROPERTY
INVESTOR

NEWSLETTER

JUNE
2024

TAX RETURNS – FACTORING IN CAPITAL GAINS

Capital gains tax (CGT) is the tax you pay on the profits from selling an asset, such as an investment property and can also include shares and crypto assets.

Although it is referred to as 'capital gains tax', it is actually part of your income tax and is not a separate tax.

Whenever you sell an asset, you need to factor in CGT.

CPT is when you report capital gains or losses in your income tax return.

If you have a capital gain, it will increase the tax you are required to pay, whereas a capital loss can be offset against any capital gains in the year they occur or in future years and reduce the tax you need to pay.

When planning to sell an asset, it is important to calculate your tax liability and set aside funds to cover this.

It is equally important to ensure that you include capital losses on your tax return.

Example of calculating CGT:

Mary buys an investment property for \$500,000 and sells it for \$650,000, making a capital gain of \$150,000.

Mary's income for the year is \$80,000.

When Mary lodges her tax return, she will declare her annual income plus capital gains ($\$80,000 + \$150,000 = \$230,000$) as her total income and must pay tax on the total at her individual income tax rate.



RENT INCREASES

BEHIND THE SCENES

Over recent years, landlords and tenants have collectively had to navigate many challenges of uncertainty, including periods of financial hardship caused by the rise of interest rates, pauses and restrictions on rental payments, followed by surging weekly rents, inflated cost of living expenses, and a lack of affordable housing.

We are also aware that some landlords are now facing further increases in their monthly mortgage repayments, creating additional pressures, due to locking in fixed interest rates that have come to term and expired.

As managing agents, we want our landlords to be confident and know that we understand the importance of maximising rental returns to offset the potential of increased mortgage repayments and other associated costs.

Our role and duty of care to our landlords is to provide skilful representation, which includes keeping up to date on property market changes and being knowledgeable and aware of the current weekly rents achievable to ensure that our landlords receive the best possible investment returns.

When a tenant vacates the property or renews their agreement, one step of the process is to conduct a comparative market analysis (CMA) to research and review other similar properties available, to determine a fair market rent. Depending on supply and demand and the type of property, we have seen higher than normal fair market increases that are impacting some tenants.

While we have compassion for both parties during these financially challenging times, we must disclose the findings of our fair market rent review to our landlords to take instructions on how they would like to act.

From behind the scenes, we are also seeing trends emerge when implementing excessive rent increases, such as:

- Quality tenants vacating the property to move in with family and friends.
- Tenants accepting rent increases to have a home to live in, which they cannot afford, resulting in out of character rent arrears.
- A rise in tenant maintenance requests and property improvements to ensure that they are getting value for their money.

We understand that every landlord's situation is unique. When it comes time to review the rent, we will take the time to discuss the pros and cons, with a strong focus on protecting and maximising your property investment needs.

PROPERTY APPRAISALS VS VALUATIONS

An **appraisal** is an estimate or opinion of a property's market value. Your real estate agent provides this for free considering data on similar listings and sales, buyer demand, market trends, and property's features.

A **valuation** is a more detailed report providing an 'exact' value of the property's market worth. It is prepared by a professionally qualified and certified valuer for a fee, usually between \$300 and \$600 or more.

A valuation is an independent, and more importantly, a 'legally binding' report that identifies the value of the property based on specific tangible factors such as location, layout of the block, size of the property, features, fixtures and fittings, building condition, structure, damages and faults, ease of access, local zoning, planning restrictions and local amenities. Property valuers do not consider buyer demand or the state of the real estate market.

If you are a buyer or seller, knowing a property's 'exact' value can give you reassurance and peace of mind to take the guesswork out of determining a sale price by understanding how the Valuer reached their conclusion and assist with the negotiation process.

It is also worth noting that many properties sold... have achieved well-above a 'valued' price.

TENANTS PERFORMING REPAIRS, MAINTENANCE AND ODD JOBS – TRADESPEOPLE MUST BE LICENSED

There are some landlords who think that having tenants perform repairs, maintenance, and odd jobs at the property saves them money.

However, from our experience, this course of action can lead to unnecessary expenses to rectify the work and expose landlords to financial risks should a litigation claim arise.

When carrying out any maintenance or repairs at a property, the person conducting the work must be licensed and insured. There have been many legal precedents set, resulting in severe injuries or fatalities to tenants due to poor workmanship. Electrocutions, slips and falls, and house fires from substandard smoke alarms are just a few.

Ensuring that your property is fit for the tenant to reside in and safe for habitation is paramount. Ripples or loose threads in the carpet, unstable retaining walls, poor external lighting, uneven pavers, faulty locks, dry rot in floorboards, non-compliant pool gates/fences, or unsecured fixtures need to be at the forefront of your actions should they arise.

If you are engaging your own tradespeople to attend to works at the property, we strongly recommend that you request to sight copies of their licenses and 'current' public liability insurance to protect yourself financially.

If something goes wrong and the person performing the work is not insured, your personal assets could be at risk should a litigation claim arise. Depending on the circumstances, compensation payouts can escalate into millions of dollars.

As an added safeguard, we strongly recommend investing in landlord protection insurance, which includes public liability cover within the policy and is a tax-deductible expense.

Our agency's policy is not to allow unlicensed and uninsured tenants or tradespeople to perform work at a rental property, as it can result in unnecessary disputes and is fraught with danger.

You should not act solely based on the material contained in this newsletter. The information and statements herein are general comments only and do not constitute or convey advice per se. Seek independent professional advice before making any decision or acting. | © International copyright and published by PPM Group (www.ppmgroup.com.au)

Recently Sold

- 3 Riseborough Tce, B/dale
- 41/14 Kensington Pl, B/dale
- 2/390 Birkdale Rd, W/Pt
- 55 Mindarie Cr, W/Pt

Current Listings

<http://www.patbarrettrealty.com.au/>

NEWS Update

Stage 2 Rental Law Reforms Bill was passed by QLD Parliament on Thurs 23 May 2024.

Changes that came into effect **6 June 2024**;

- Limit rent increases to once every 12 months for the property
- Prohibit a lessor or property manager from accepting a tenants offers to pay rent greater than the advertised price; and
- When a tenancy is advertised or offered, a lessor or property manager will be prohibited from accepting a tenant's offer to pay rent in advance of more than 1 month at the time of the tenancy application.

Other items amended when legislation passed (on 23 May) are yet to have a commencement date but we'll continue to keep you informed with these changes.

To unsubscribe to our newsletter please email

accounts@patbarrettrealty.com.au