

Federal Taxes

Working Property Cashflow Story - Current Negative Gearing Laws

Year Start	Property Value	Rental Income	Annual Expenses	Loan Amount	Interest Expense	Total Costs	Gross Cash Flow	Tax Benefit	Net Cash Flow	Gross
1	\$600,000	\$22,080	\$10,700	\$480,000	\$26,239	\$36,939	-\$14,859	\$4,829	-\$10,030	-\$14,426
2	\$636,000	\$23,184	\$11,055	\$473,534	\$25,874	\$36,929	-\$13,745	\$4,467	-\$9,278	-\$12,956
3	\$674,160	\$24,343	\$11,423	\$466,703	\$25,489	\$36,911	-\$12,568	\$4,085	-\$8,483	-\$11,501
4	\$714,610	\$25,560	\$11,803	\$459,487	\$25,082	\$36,884	-\$11,324	\$3,680	-\$7,644	-\$10,061
5	\$757,486	\$26,838	\$12,196	\$451,864	\$24,652	\$36,848	-\$10,009	\$3,253	-\$6,756	-\$8,634
6	\$802,935	\$28,180	\$12,603	\$443,811	\$24,197	\$36,801	-\$8,620	\$2,802	-\$5,819	-\$7,219
7	\$851,111	\$29,589	\$13,025	\$435,304	\$23,717	\$36,742	-\$7,153	\$2,325	-\$4,828	-\$5,816
8	\$902,178	\$31,069	\$13,461	\$426,316	\$23,210	\$36,672	-\$5,603	\$1,821	-\$3,782	-\$4,423
9	\$956,309	\$32,622	\$13,913	\$416,822	\$22,675	\$36,588	-\$3,966	\$1,289	-\$2,677	-\$3,039
10	\$1,013,687	\$34,253	\$14,380	\$406,792	\$22,109	\$36,490	-\$2,236	\$727	-\$1,509	-\$1,664
11	\$1,074,509	\$35,966	\$14,865	\$396,197	\$21,511	\$36,376	-\$410	\$133	-\$277	-\$296
12	\$1,138,979	\$37,764	\$15,366	\$385,004	\$20,880	\$36,246	\$1,518	-\$493	\$1,025	\$1,065
13	\$1,207,318	\$39,653	\$15,885	\$373,179	\$20,213	\$36,098	\$3,554	-\$1,155	\$2,399	\$2,420
14	\$1,279,757	\$41,635	\$16,423	\$360,687	\$19,508	\$35,931	\$5,704	-\$1,854	\$3,850	\$3,771
15	\$1,356,542	\$43,717	\$16,980	\$347,491	\$18,764	\$35,744	\$7,973	-\$2,591	\$5,382	\$5,118
16	\$1,437,935	\$45,903	\$17,556	\$333,551	\$17,978	\$35,534	\$10,369	-\$3,370	\$6,999	\$6,461
17	\$1,524,211	\$48,198	\$18,154	\$318,824	\$17,147	\$35,301	\$12,897	-\$4,192	\$8,706	\$7,803
18	\$1,615,664	\$50,608	\$18,772	\$303,266	\$16,269	\$35,042	\$15,566	-\$5,059	\$10,507	\$9,143
19	\$1,712,603	\$53,138	\$19,414	\$286,831	\$15,342	\$34,756	\$18,382	-\$5,974	\$12,408	\$10,483
20	\$1,815,360	\$55,795	\$20,078	\$269,469	\$14,363	\$34,441	\$21,354	-\$6,940	\$14,414	\$11,823
21	\$1,924,281	\$58,585	\$20,766	\$251,127	\$13,328	\$34,094	\$24,490	-\$7,959	\$16,531	\$13,165
22	\$2,039,738	\$61,514	\$21,479	\$231,751	\$12,235	\$33,715	\$27,799	-\$9,035	\$18,765	\$14,508
23	\$2,162,122	\$64,590	\$22,218	\$211,281	\$11,081	\$33,299	\$31,291	-\$10,169	\$21,121	\$15,855
24	\$2,291,850	\$67,819	\$22,984	\$189,658	\$9,861	\$32,845	\$34,974	-\$11,367	\$23,607	\$17,205
25	\$2,429,361	\$71,210	\$23,778	\$166,814	\$8,572	\$32,351	\$38,859	-\$12,629	\$26,230	\$18,559
26	\$2,575,122	\$74,771	\$24,601	\$142,682	\$7,211	\$31,813	\$42,958	-\$13,961	\$28,997	\$19,919
27	\$2,729,630	\$78,509	\$25,455	\$117,188	\$5,773	\$31,228	\$47,282	-\$15,366	\$31,915	\$21,286
28	\$2,893,408	\$82,435	\$26,339	\$90,257	\$4,254	\$30,593	\$51,842	-\$16,849	\$34,993	\$22,659
29	\$3,067,012	\$86,556	\$27,256	\$61,806	\$2,649	\$29,905	\$56,651	-\$18,412	\$38,239	\$24,040
30	\$3,251,033	\$90,884	\$28,207	\$31,751	\$954	\$29,161	\$61,723	-\$20,060	\$41,663	\$25,429
End 30 Yr Total								-\$138,026	\$286,669	

Modelling Assumptions:

- Salary Income - Based on Average Full Time Weekly Earning (Male \$1695) and (Female \$1455) increasing at 2.0% per year (Marginal Tax Rate 32.5%)
- Living Expenses based on the ABS Average Weekly Spending 2016 index by 3% p.a to 2019 value (\$1557), increasing at 3.0% per year
- Value of Investment Property (IP) purchase \$600,000, increasing at 6% per year
- Borrowings to purchase IP are 80% of the Property Value
- Mortgage Interest rate of 5.5%, P&I 30 year term
- Gross Rental Income on IP is assumed to be 4.0% of the Value of the property, increasing at 4.0% per year
- Occupancy Rate of 92%, or a Vacancy rate of 8% over the period
- Property Management Fees of 7.7% of the Gross Rental Income (inclusive of GST)
- Ongoing holding costs associated with IP (including Rates, Taxes, Insurance, Maintenance, etc.) of 1.5% of initial Value of the property, increasing at 3.0% per year
- No allowances included for any potential Tax Deductions that may be available for Depreciation Expense

Negative Gearing Impact:

- First 11 years Mr. & Mrs. Typical Australian would claim \$29,410 in tax benefits before starting to pay tax on income and the property starts to deliver positive income returns
- Over the remaining 19 years, up until end of 30 years, they pay \$167,436 in tax
- Overall Federal property taxes paid to the Government is positive \$138,026 under the current laws

Capital Gains Tax:

- If Mr. & Mrs. Typical Australian sold at end of 30th year, under existing 50% exemption policy, they would pay an additional \$305,702 per person in capital gains tax – total \$611,404

Total Tax Payable:

- Total potential tax payable is \$443,728 per tax payer

Note: Not including State Taxes

Plus State Taxes payable below

Stamp Duty						
NSW	VIC	QLD	ACT	TAS	SA	WA
\$23,975	\$33,082	\$21,436	\$17,981	\$23,937	\$28,625	\$24,045

Year Start	Land Value (LAR 55%)	Land Tax						
		NSW	VIC	QLD	ACT	TAS	SA	WA
1	\$330,000	\$0	\$475	\$0	\$3,331	\$1,836	\$0	\$300
2	\$349,800	\$0	\$517	\$0	\$3,558	\$2,149	\$9	\$300
3	\$370,788	\$0	\$561	\$0	\$3,798	\$2,483	\$120	\$300
4	\$393,035	\$0	\$608	\$0	\$4,052	\$2,837	\$238	\$300
5	\$416,617	\$0	\$658	\$0	\$4,322	\$3,212	\$363	\$354
6	\$441,614	\$0	\$711	\$0	\$4,609	\$3,609	\$496	\$420
7	\$468,111	\$0	\$767	\$0	\$4,912	\$4,030	\$636	\$490
8	\$496,198	\$0	\$827	\$0	\$5,233	\$4,477	\$785	\$565
9	\$525,970	\$0	\$890	\$0	\$5,574	\$4,950	\$943	\$644
10	\$557,528	\$0	\$957	\$0	\$5,936	\$5,452	\$1,110	\$727
11	\$590,980	\$0	\$1,107	\$764	\$6,319	\$5,984	\$1,287	\$816
12	\$626,439	\$0	\$1,295	\$1,140	\$6,724	\$6,548	\$1,475	\$910
13	\$664,025	\$290	\$1,494	\$1,539	\$7,155	\$7,145	\$1,983	\$1,010
14	\$703,866	\$966	\$1,705	\$1,961	\$7,611	\$7,779	\$2,680	\$1,115
15	\$746,098	\$1,682	\$1,929	\$2,409	\$8,094	\$8,450	\$3,419	\$1,227
16	\$790,864	\$2,441	\$2,167	\$2,883	\$8,607	\$9,162	\$4,202	\$1,346
17	\$838,316	\$3,246	\$2,418	\$3,386	\$9,150	\$9,917	\$5,032	\$1,472
18	\$888,615	\$4,099	\$2,685	\$3,919	\$9,726	\$10,716	\$5,911	\$1,605
19	\$941,932	\$5,003	\$2,967	\$4,484	\$10,336	\$11,564	\$6,945	\$1,746
20	\$998,448	\$5,962	\$3,442	\$5,463	\$10,983	\$12,463	\$8,383	\$2,275
21	\$1,058,355	\$6,978	\$3,950	\$6,511	\$11,669	\$13,415	\$9,907	\$2,847
22	\$1,121,856	\$8,055	\$4,488	\$7,621	\$12,396	\$14,425	\$11,522	\$3,453
23	\$1,189,167	\$9,196	\$5,059	\$8,799	\$13,167	\$15,495	\$13,618	\$4,095
24	\$1,260,517	\$10,406	\$5,664	\$10,046	\$13,983	\$16,630	\$16,416	\$4,775
25	\$1,336,148	\$11,689	\$6,306	\$11,369	\$14,849	\$17,832	\$19,383	\$5,497
26	\$1,416,317	\$13,049	\$6,985	\$12,771	\$15,767	\$19,107	\$22,527	\$6,262
27	\$1,501,296	\$14,490	\$7,706	\$14,258	\$16,740	\$20,458	\$25,860	\$7,072
28	\$1,591,374	\$16,018	\$8,470	\$15,833	\$17,771	\$21,890	\$29,393	\$7,932
29	\$1,686,857	\$17,637	\$9,280	\$17,503	\$18,864	\$23,409	\$33,138	\$8,843
30	\$1,788,068	\$19,354	\$10,615	\$19,273	\$20,023	\$25,018	\$37,107	\$10,666
		\$150,559	\$96,704	\$151,934	\$285,259	\$312,445	\$264,886	\$79,363