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Property Investment Costs Part 2

Welcome to Part 2 of this series outlining the costs of owning an investment property.

There are two parts to your purchase costs.

Firstly, there are purchase costs that form part of the deductions you can claim as a deduction from your purchase price when calculating capital gains tax on the sale of the property. These costs are not tax deductible in the year they are incurred.

Stamp Duty is one of these costs, as is Legal Fees, as is our Administration Fee. The total purchase costs on this property are shown in the panel; which is offset against any potential capital gains tax you may incur when you sell the property.

Stamp Duty on our transactions is only calculated on the land price as this is the first transaction in the process. After the land settles at around Week 8-10, the building project will then commence and there is no Stamp Duty payable on the Building Contract value.

Secondly, there are costs associated with borrowings that can be claimed as a tax deduction either in the year incurred or over the loan term in equal portions.

The costs in this case have been estimated at these amounts including a component of Construction Interest, which is interest on the progress payments to the Builder during the construction period. This amount, shown as Construction Interest in the panel, is actually totally tax deductible in the year it is incurred, but in order to be conservative, we have included it in the total loan costs to be claimed over the term of the loan of 3 years.