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Joint Property Ownership for Investment

When borrowing to buy property for investment, people want to maximise their tax deductions. To receive the maximum benefit you must look at ownership structure. If one party is earning considerably more than the other they are usually paying a lot more tax and therefore would be entitled to a much bigger tax rebate. For this reason the higher income earner should have the bigger share of the property. This enables them to claim most of the expenses such as interest, depreciation and loan costs. Shares can be in just about any proportion e.g. 50/50 – 65/35 – 80/20 - 90/10 – 100/0 etc.

If you do not set up the ownership correctly in the first place you could loose tens of thousands in tax concessions and also if you change the ownership structure later, you will incur additional costs such as stamp duty and legal fees. If this change is done at a later date you cannot claim the past lost benefits.
To work out the best structure seek the advice of a broker who specialises in property investment and who will give you a written report detailing how much you can borrow and suggest the appropriate split which should then be taken to your accountant for confirmation.

As always you should do your research before signing a contract.

Next month I will cover which type of loan I believe is the best for property investment.

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