

# The Property Owners association of NSW

Quarterly Journal  
May 2008

— poa-nsw — the property owners'  
association of nsw



[www.poansw.com.au](http://www.poansw.com.au)



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## Meetings for 2008

### Property Owners Association

At the Hughenden Hotel  
14 Queen Street  
Woollahra

Meetings commence 7:30 pm  
(optional dinner at Quaffs Restaurant at 6:00 pm)

### Thursday, 7 February 2008

POA NSW Committee Meeting

### Thursday, 6 March 2008

POA NSW AGM function plus Seminar

### Thursday, 3 April 2008

POA NSW Committee Meeting

### Thursday 5 June 2008

POA NSW Committee Meeting

### Thursday 7 August 2008

POA NSW Committee Meeting plus Seminar

### Thursday 2 October 2008

POA NSW Committee Meeting plus Seminar

### Thursday 4 December 2008

POA NSW Committee Function

### Private Hotel & Boarding house meetings for 2008:

At the Hughenden Hotel  
14 Queen Street  
Woollahra

Meetings commence 7:30 pm  
(optional dinner at Quaifes Restaurant at 6:00 pm)

### Thursday, 1 May 2008

### Thursday, 4 September 2008

Information Presentation (See Page 4)



## PRESIDENTS REPORT MAY 2008.

This quarter has seen the POA's efforts slowed by the rebuilding of our web site.

**John Gilmovich** has put many hours into working with our new web master to provide a new modernized site with far more automated areas which will greatly speed up membership payments and receipts as well as a better over all display of POA activities.

**New website is [www.poansw.com.au](http://www.poansw.com.au)**

Many thanks to **John Gilmovich** who has put many hours into working with our new webmaster to provide a modernised site. Please stay tuned for further information about the functions of the website. Shortly we will post you your new membership password to access the members only section of the website.

Major Feature will include an automated way for you to pay and renew your membership that issues you with a tax invoice immediately after your payment. We welcome your feedback and suggestions you may have about the new website. Please email or write to your associates. Many thanks to John as this is time consuming work.

### **Payments will be acceptable on our web site and automatic receipts generated**

John has also been very busy with our membership list and the sending out of fees due as well as working to gain several new members has seen a rapid surge in POA membership.

**Peter Dormia** our secretary has been providing us with excellent minutes of all meetings via email and posting these on the web site.

### **Office Of fair Trading Update.**

The POA is meeting with the Department this month (May).

In ongoing discussions, it is clear the Department will implement changes to the Residential Tenancies Act but the final content is not known some of the proposed changes are extremely unworkable and are not a step forward we will up till the drafting of the bill provide input and voice our concerns.

The POA has had talks with REI officers and the opposition minister for fair trading and it is clear that several of the proposed amendments will

have if not changed very negative affects on landlords.

I cannot emphasize the concern the POA has in regards to several of the proposed amendments and we ask every member who has property to voice your concerns to your local member of parliament before it is too late.

### **Local Government DCP**

Several metropolitan councils are implementing development control plans for boarding houses these councils seem to adapt the city of Sydney plans with some amendments the POA has contacted them and provide information on any unworkable parts this is being done by the Private Hotel/ Boarding House committee.

### **NSW Planning**

The POA is approaching the NSW Planning office with a range of possible changes to assist in the building and or renovating of existing properties for the provision of new rental accommodation this is because the current situation is overly regulated and extremely costly with next to no initiatives to invest.

### **Private Hotel / Boarding House Committee**

What fun these meetings always are I look forwarded to each one and the venue of having our meetings over dinner is a great social meeting place so come long to these if you have an interest..

### **New Members**

Welcome to all. Do come along to any meeting you will find them posted on the web site and watch out for the information seminars you will be surprised at the quality of our presenters. To all POA members private suppliers provide 85% of all residential rental accommodation provided in NSW and the POA is the peak representative organisation.

Regards,  
**Chris Young**  
(President)



## Private hotel and boarding house industry

### Boarding House: Affordable housing info night

The Private Hotel and Boarding House Division (PHBHD) of POA NSW has organised a special information night just for Boarding house operators.

A panel of senior operators will provide some interesting insights into developments in the boarding house and affordable accommodation market.

Operators, and anyone interested in affordable accommodation are welcome to ask questions, raise issues, and share experiences in an informal social setting. It is an excellent opportunity to network and meet other operators in our industry. The meeting will be a 7.30 sharp on Thursday September 4th 2008.

Food and beverages will be available at The Hughendon Hotel, in Quaifes bar and restaurant.

Private Hotel and Boarding House Division (PHBHD)  
of POA NSW invites you to:

### Information Presentation

At the Hughendon Hotel  
14 Queen Street Woollahra  
On Thursday 4th September 2008  
At 7.30pm sharp.

- Find out what's happening in the Boarding House and Private Hotel industry,
  - Ask questions to a panel of experienced operators,
  - Meet and network with other operators,
  - Social Function.

Cost: Free to POA NSW members/ \$10 for non-members.

Bar facilities, hot drinks and food/dinner available in the hotel  
at Quaifes bar and restaurant.



## SMALL BUSINESS REGULATION REVIEW: BOARDING HOUSES 2008

The Department of Planning is the lead agency in implementing the recommendation of the Small Business Regulation Review of the Accommodation, Food and Beverage Services Sector to develop guidelines in relation to the standards for boarding houses set by the Local Government (General) Regulation 2005.

Boarding Houses cross a number of agencies which create problems in developing guidelines. However the Department of Planning is currently coordinating the agencies and gathering opinions in a drive to establish guidelines for boarding houses.

### The Parties and Their Positions: -

Department of Health - Primary area of interest is the Public Health Act boarding house room size requirements. These have a historical basis around the minimum room size required to prevent / manage communicable diseases. The Act is under review.

Property Owners Association - There are a range of issues impacting on the future sustainability of the industry.

These include:

- Poor understanding and stereotyping of the industry. Boarding houses service a broad section of the community, including professional people.
- Issues with the definition of boarding houses. It needs to be understood that they are managed premises under rules of management.
- Councils being too prescriptive. For example, Sydney's DCP is unrealistic

given the physical limitations of existing properties.

- SEPP 10 requirements are too onerous, particularly in the requirement to obtain approval for minor refurbishment e.g. painting. The result is that many owner operators are not maintaining or developing properties.
- Inconsistency between councils. Many are helpful, but some are not. There is an increasing trend for councils to be less flexible.
- Fire compliance is costly and not reflecting the specific needs and limitations of the boarding house industry. Councils are increasingly less willing to negotiate.

Local Government and Shires Associations (LGSA) - The Associations do not have a position at this time. The LGSA pointed out that issues around heritage management need to be considered.

Department of Community Services (DoCS) - Interest is in having affordable housing options available for clients.

Department of Aging Disability and Home Care (DADHC) – Has responsibility for “licensed residential centres” under the Youth and Community Services Act. The Act requires that boarding houses are required to be licensed where they provide accommodation for two or more people with a disability who require supervision and habilitation.

DADHC has procedures to support and better locate people with a disability identified in inappropriate boarding houses. They have concern about inadequacies in the system to identify these people.



The Act is under review. DADHC sees value in consistency of planning and control standards across the sector. Ideally DADHC specific standards for licensed premises would sit on top of these. They are keen to work in partnership with Dept of Planning to develop these standards.

Department of Planning (DoP) – Acknowledged that many of the issues raised have been raised before. There is scope for these issues to be further considered in a review of SEPP 10, or in the Interagency Boarding House Committee, led by the Department of Housing.

## Summary

- Identified issues are similar to those identified in the Department of Housing Boarding House Study.
- Identified regulatory issues primarily fall within the ambit of SEPP 10 and The Building Code of Australia. The lead agency for both is the Dept of Planning.
- Other issues are best addressed by the Interagency Boarding House Committee, led by the Department of Housing, or as part of other current regulatory or legislative review as detailed above.
- There does not appear to be a need for a guideline to support the Local Government (General) Regulation. Unlike the planning issues, the requirements of the standards in the regulation are not contentious.



## EASING OF DEMAND LITTLE CAUSE FOR CELEBRATION

### April Vacancy Rate Survey results

The latest Vacancy Rate Survey results show that rental demand has eased ever so slightly, however there is little cause for celebration as vacancy rates continue to hover at critical levels throughout much of NSW.

The vacancy rates in inner and middle Sydney lifted slightly in April to 1.2% and 0.9% respectively (up from 0.9% and 0.7% in March). However, the news for outer Sydney was not so good, with vacancies dropping to 1% (from 1.4%).

Some regional areas also experienced better results in April. The vacancy rate in Albury rose to 3% (from 2.7%) and the Central Coast increased to 2.7% (from 1.8%). The South Coast recorded the most substantial improvement, with vacancies rising to 4% (from 2.6%). Source: REINSW

### House prices show slowing growth rates

Median house price growth slowed in Australia's capital cities in the March quarter but remains in positive territory everywhere except Perth, according to figures from RP Data and Rismark International.

The median house price across Australia's mainland capital cities climbed 1.4 per cent over the three months to March for an annual return of more than 10 per cent, the RP Data and Rismark Hedonic Index of house prices suggests.

RP Data's national research director, Tim Lawless, says this is a good result compared to the share market in a time when interest rates have been rising and inflation fears have been paramount.

The All Ordinaries index dropped 15.8 per cent in the March quarter, Lawless notes.

Adelaide remains the strongest-performing capital, showing median house price growth of 3.4 per cent for the quarter and 22.8 per cent for the year, with a median of \$419,000.

Brisbane recorded annual growth of 17.3 per cent with a March quarter median of \$467,000, representing 2.1 per cent growth over the quarter. However, RP Data says Brisbane's outer regions are showing the first signs of weakening, with Beaudesert, Caboolture and Logan all recording fairly flat markets and Redland values falling slightly.

Melbourne growth rates remain healthy on an annual basis but have slowed considerably in the most recent three months. Melbourne's median house price of \$459,000 represents growth of 16.5 per cent over the year but just 2.4 per cent over the three months to March.

"The separation between the affluent inner suburban markets of Melbourne and the outer mortgage belt areas is becoming more apparent," RP Data reports. "While the inner and middle-ring suburbs averaged around 3 to 6 per cent capital growth over the March quarter, the outer regions such as Melton-Wyndham, Frankston and south-eastern Melbourne were flat."

Darwin's market remains solid, with 5.9 per cent house price growth over the quarter to a median of \$433,000, up 14.7 per cent over the year.





“Demand for housing remains very high due to the strong population growth and economic conditions,” RP Data says. “At the same time, housing supply is very short. Rental rates in Darwin are providing the highest rental yields for both houses and units of any capital city. Houses are returning 5.5 per cent gross and units are returning 6.2 per cent gross.”

Canberra house prices were flat over the March quarter, recording median price growth of a negligible 0.1 per cent to \$494,000, though that’s still up 12.2 per cent over the year.

Sydney house prices climbed 1 per cent in the quarter or 5.7 per cent over the year to a median of \$579,000.

Lawless says it’s not a bad result considering the impact affordability pressures have already had on the market. However, he notes that many of the city’s prestige areas are starting to show weakness.

Perth’s median house price for the March quarter was \$503,000, down 1.6 per cent for the quarter and 0.5 per cent lower over the year.

Median unit prices showed small growth in the March quarter in all capitals except for Adelaide, where they leapt ahead 9.5 per cent, and Canberra, where they fell 3.6 per cent.



## 11 LANDSCAPING TIPS FOR INVESTORS

The Property School and Garry Houghton of Halcyon Days Landscape Design have put their heads together to come up with a top list of 11 top landscaping tips for investors looking to spruce up their property before selling or renting it.

### Front

The first five tips relate to the front yard, which the Property School notes creates the strongest impression when potential purchases or renters visit the property.

#### 1. Grass

Make sure it's well watered, mowed and trimmed. If you have time, use some quick feed fertiliser to green the grass up before the sale/rental date. Don't use a weed and feed. The lawn may be all weeds and if killed may take a long time to grow back. You're better to have lush, green, mown weeds than bare patches.

#### 2. Garden beds

Remove all weeds and excess flowers. Make it as low-maintenance as possible. Use native plants (free from some councils) and low-maintenance flowers. Definitely mulch all garden beds – it looks much neater. (This applies equally for the backyard.)

#### 3. Pathways

Clean with a pressure hose to remove dirt and grime to create that new feeling. Allow to dry thoroughly and sweep fresh Sydney sand into the gaps. Trim any plants on the side of the paths to ensure easy access. Lift any uneven areas of paving and level them using course washed sand or Sydney sand.

#### 4. Shrubs/trees

Trim and make sure that none are hanging over or near power lines. Remove any high-maintenance trees and shrubs and replace with low-maintenance plants.

#### 5. Fence

Make sure the front fence is clean and, if need be, painted.

### Back

The final six tips relate to the backyard, which The Property School says needs to convey the image of space and privacy.

#### 6. Yard

Make sure it's trimmed and mowed. Check the drainage flow for when it has heavy rain to ensure that the house isn't exposed to excess water.

#### 7. Clothes line

If you have a clothes line in the centre of the yard try moving it to the side of the house or install one of the wall-mounted versions. This opens up the yard to much-needed space.

#### 8. Seating

Is there any seating or covered areas? If so make sure they're clean and uncluttered.

#### 9. Trees/shrubs

Plant water-saving native plants to ensure minimal attention is required. Plant for afternoon shade trees. Leave the southern/northern ends free to allow winter sun into the yard/house. Deciduous trees will keep western sun out in summer and allow it into the garden and house in winter. Keep them together as it's harder to manage plants and gardens that are spread out.

#### 10. Walkways

What are the walkways like in the backyard? Do they need paving? If so, consider using economical pavers bought from online auctions or seconds shops. They can create the right effect but on a much smaller budget.

#### 11. Feature plants

Consider planting a feature tree or shrub with striking foliage or place an urn, pot, or birdbath at a focal point, perhaps surrounded with pebbles to enhance or contrast with the feature.



The latest property figures from Residex show that the recent interest rate increases as well as the stock market crash and the worsening market sentiment have had an impact on our property markets with prices stalling in all of our major property markets:

City	Houses - Growth				Units - Growth			
	Median Value	Growth PA 1998-2008	Last year	Feb 2008 Quater	Median Value	Growth PA 1997-2007	Last year	Feb 2008 Quater
Canberra	\$462,000	11.68%	13.78%	3.52%	\$361,000	11.69%	15.13%	5.52%
Adelaide	\$367,000	11.44%	20.87%	5.92%	\$278,000	11.83%	22.83%	6.22%
Brisbane	\$443,000	12.04%	21.15%	3.37%	\$338,000	10.13%	18.22%	7.47%
Darwin	\$404,000	9.78%	16.11%	2.73%	\$314,500	8.86%	15.78%	6.67%
Hobart	\$338,500	11.79%	5.64%	-2.50%	\$244,500	11.51%	8.84%	0.65%
Melbourne	\$469,000	10.92%	19.91%	0.08%	\$361,500	10.87%	20.71%	3.22%
Perth	\$506,000	14.06%	3.10%	-0.10%	\$397,500	12.83%	6.24%	1.99%
Sydney	\$577,500	7.87%	7.22%	-1.21%	\$398,500	6.74%	5.61%	0.52%

City	Houses - rent			Units - rent		
	Return	\$ Feb 08	Change from Feb 07 to Feb 08	Return	\$ Feb 08	Change from Feb 07 to Feb 08
Canberra	4.85%	\$430	16.22%	5.63%	\$390	13.04%
Adelaide	4.27%	\$300	11.11%	4.69%	\$250	11.11%
Brisbane	4.12%	\$350	11.11%	4.78%	\$310	10.71%
Darwin	5.17%	\$400	11.11%	5.31%	\$320	1.59%
Hobart	4.62%	\$300	9.09%	4.43%	\$210	0.00%
Melbourne	3.89%	\$350	20.69%	4.33%	\$300	15.38%
Perth	3.40%	\$330	20.00%	4.07%	\$310	16.98%
Sydney	4.07%	\$450	16.88%	4.98%	\$380	13.43%



## RESIDENTIAL TENANCY ACT CHANGES COMING SOON

CHANGES To Residential Tenancy Act MUST be FAIR

Private property owners provide 85% of the residential rental accommodation services in NSW, housing 615,000 households and they are leaving the marketplace.

In the main:-

Residential property owners are small investors – ‘mums and dads’.

Tenants are independent Australians who enter a contract for accommodation.

Where tenants face ‘hardship’, the responsibility must be a Government one and not directed to property owners who have neither the financial strength or expertise to deal with it.

PROPOSED RTA CHANGES include but are not limited to:-

- tenant can sublet
- tenant making alterations to the property
- oral ‘agreements’ to become tenancies
- increase in delays for no ground evictions

Only a FAIR & BALANCED residential tenancy can encourage property owners to stay and increase their holdings, to the benefit the people of NSW.

## RESIDENTIAL TENANCY LAW CHANGES MUST BE FAIR

Private property owners provide 85% of the residential rental accommodation services in NSW, housing 615,000 households. The NSW Government and NFP organisation provide welfare housing services to approximately 15% of rental housing market. These are two separate and distinct housing providers with different roles and skills providing invaluable housing services to NSW.

Boarding houses are a third, but very small, distinct housing provider. They provide a privately managed ‘community’ style housing service. Studies into boarding houses have revealed that introduction of legislation of this fragile and unique housing for low to moderate housing, will lead to the demise of boarding houses. Victoria introduced the Rooming Houses Act 1990. The result has been that private providers of this affordable and flexible style of housing have all but disappeared. This has been replaced by costly Government funded community housing projects and quasi welfare housing, student and welfare hostels.

There has been a flight of corporate, institutional and large private residential property owners over the past 30 years as property owners struggle with tenancy laws, the Residential Tenancies Act 1987 with its significant rate of Tribunal hearings and disputes; SEPP 10 and its escalating restrictions; increasing delays, charges, compliances and processes by local councils; punitive land taxes; the increasing bias towards transferring welfare responsibility of housing tenants to individual property owners through ‘hardship’ considerations; loss of control of owners’ property, management difficulties, adversarial funded



tenancy organisations and the many other variables of property ownership. These challenges coupled with low to negative returns have led to the loss of major dedicated residential rental providers. This vacuum has been filled by small, individual property owners. These small owners generally are employed, often allocating their income to assist with their residential rental mortgages and represent grass roots, 'middle' Australia. They have one or two properties that form part of their investment strategy for retirement, superannuation, security and personal goals.

The reliance on small residential rental landlords creates a precarious situation for tenants as these property owners are not the dedicated, experienced industry suppliers of major residential rental stock as in the past. When small property owners are faced with adversarial decisions and loss of control of their property, it is at a significant human cost to them and often the result is withdrawal from the market. The impact has been a substantial factor in the .08% residential rental accommodation vacancy rate which is at crisis point; reduction in affordable rental housing; and the lack of growth in supply of residential rental property. Today there is a developing trend to transfer existing rental property to owner occupiers or redevelop it into alternative usages. Traditionally property, due to its high capital base and associated costs for acquisition, take a long time to reflect trends. It has taken 30 years for the 'New Direction' Reform report to recognise that the change of property owners from major rental suppliers to small investors.

A fair and equitable private residential housing rental market for both tenants and property owners exists where there is an adequate supply of rental accommodation.

It is also where property owners do not feel disempowered. It is where there is a non-adversarial ethos in which tenants and property owners are partners in this housing service. When this breaks down, there are serious consequences in the provision of rental housing for the Government, tenants, property owners and the community.

Tenants have representation through government funded tenancy organisations such as 'The Tenants Advice & Advocacy (TAAP) Services and the Tenants' Union of NSW whose roles are to 'campaign for policy change and law reform to improve the rights of all tenants.' ([www.tenants.org.au](http://www.tenants.org.au))

There is no funding for property owners' advocacy to ensure that property owners remain as providers of residential rental accommodation and to assist them in complex legislation.

The Residential Tenancy Act seeks to balance the tenants' right to housing with the property owners' right to control of his/her property and achieve a return on the investment. The issues of 'hardship' and the right to shelter, have slanted the legislation to favour tenants in areas as diverse as penalties for breaches in the RTA, where breaches are heavily weighted against property owners including up to 1 year imprisonment and \$21,000 fine; notice to vacate a premises which requires a tenant to give 21 days' notice while a landlord must give 60 days notice; maximum of 4 weeks bond with a procedural process for recovery of rental arrears that ensures the bond will not cover the rental arrears.



Tenants' right to shelter and hardship are important responsibilities and should be dealt with by the Government, not property owners. Where tenants face serious hardship, the Tribunal should have the discretion to seek rental assistance, rehousing assistance, bond assistance from the Department of Fair Trading. Where legislation is too slanted against a major stake holder, the stake holder leaves as has occurred with the Rooming House legislation in Victoria.

While there are some valuable provisions within 'The New Direction' proposals which deal with streamlining processes and bringing the administration of the Act into modern practice, 'The New Direction' further undermines property owners' rights. Critical proposals include the areas of sub letting, repossession of the property, tenants' right to change the property. A major concern in the "New Direction" is the substantial increase in Tribunals hearings, adversarial conflicts and disputes that are inevitable if the proposals become law. There are too many damaging areas in 'the 'New Directions' ranging from tenants alterations to the property, oral agreements that can become tenancies, increase in delays for no ground evictions, increased delays and processes in 'rental arrears'.

If there is a lack of equity in representation and an increased bias against property owners in the 'reforms' in the RTA and the Tribunal process, the barrier to re-entry of major providers of residential rental housing into the market is strengthened. It deters small investors entering or remaining in rental accommodation. This is a critical time to introduce the proposals in the 'New Directions' on a fragile residential rental housing market in NSW and any changes need to be FAIR and equitable to all stake holders.

#### **POA Residential Tenancies Committee**



## DEPRECIATION ON A PROPERTY?

In terms of depreciation, what should you consider when making an investment property purchase decision?

If you are looking to purchase an investment property, it is worthwhile asking yourself a number of questions. While many investors consider location, purchase price and tenancing ability when contemplating an investment property purchase, they often overlook depreciation as an important factor.

Depreciation can help unlock the cash flow potential within an investment property, often meaning the investor will have thousands of additional dollars each financial year.

There are several factors for consideration that will enable the property owner to maximise tax depreciation benefits including:

- The age of the property: both new and older properties will attract some depreciation deductions, although a property with an age between 1-20 years will provide higher depreciation than an older property.
- The type of property: if the property is part of a strata complex or community title development, each unit is entitled to claim common property benefits in addition to the unit's depreciation benefits.
- The amount of common property: common property items within a strata or community title complex such as lifts and swimming pools are included in the depreciation report. The more common property there is, usually results in higher depreciation claims.
- The amount if plant and equipment are items that can easily be removed from the property as opposed to items that are permanently fixed to the structure. Plant and equipment includes items such as light shades, stoves, air conditioning systems, blinds and carpet. These items can be depreciated at a higher rate and add significantly to the depreciation claim. More plant and equipment generally means higher depreciation claims.

Once you have purchased an investment property, what can you do to increase your depreciation deductions?

In order to maximise the tax benefit your investment property will attract, you will require the services of a recognized Quality Surveyor with specific property tax depreciation skills and experience.

To ensure your claim all your entitled depreciation deductions a site inspection will need to be carried out as this will accurately identify all items of plant and equipment. These specific items attract higher depreciation rates than what is applied to the building. An over-capitalized property with more expensive fittings such as ducted air conditioning and stainless steel oven, cooktop and rangehood will have a higher depreciation claim than less expensive fittings such as split air conditioning and an upright stove.

Replacing the old carpet with new carpet in lieu will attract a higher depreciation rate of 20% using the diminishing value method, opposed to the tiles attracting a rate of only 2.5% in both cases you will obtain depreciation but in this case it would be beneficial to the property owner to replace the old carpet with the new carpet in order to obtain a higher return. BMT & ASSOC are specialists in maximizing depreciation claims and can provide advice about any property scenario.

### EXAMPLE: TILES VS. CARPET

To obtain the highest depreciation claim when moving old carpet, should it be replaced with tiles or new carpet?

Note: this does not include scrapping of the original carpet.

Replacing the old carpet with new carpet in lieu will attract a higher depreciation rate of 20% using the diminishing value method, opposed to the tiles attracting a rate of only 2.5% in both cases you will obtain depreciation but in this case it would be beneficial to the property owner to replace the old carpet with the new carpet in order to obtain a higher return. BMT & ASSOC are specialists in maximizing depreciation claims and can provide advice about any property scenario.



Item	Value	Basic Rate	Depreciation 1st Full Year	Depreciation Over 10 Years
Tiles Division 43 (Capital Works Allowance)	\$3,000	2.5%	\$75	\$750
Carpet Division 40 (Plant & Equipment)	\$3,000	20% (Diminishing Method)	\$600	\$2,906



## UNLOCK YOUR TAX DEPRECIATION WITH BMT!

**BMT Tax Depreciation are a Quantity Surveying company specialising in maximising Tax Depreciation benefits for investors. By obtaining a Tax Depreciation Report, you can make your investment property more tax effective - don't miss out on your entitlements!**

**BMT Tax Depreciation**  
QUANTITY SURVEYORS

**For obligation free advice about your property scenario, please contact your nearest office on 1300 728 726 or visit our website [www.bmtqs.com.au](http://www.bmtqs.com.au)**

## Strata Title Reform

NSW Fair Trading Minister, Linda Burney released for public comment the draft Strata Management Legislation Amendment Bill.

Ms Burney said the draft Bill includes changes to the strata and home building laws that will improve the balance between the rights of strata owners and developers.

“Reforms to strata laws over the last few years have succeeded in limiting the voting powers of developers who own more than half of the units in a scheme, when it became apparent some developers try to control proxy votes as a way of maintaining ongoing control over the building and the other owners,” Ms Burney said.

“This tactic enables the developer to control the owners’ corporation and is sometimes used to block complaints or issues from owners that may cost the developer money. This is especially a problem where the complaint is about defective building work for which the developer may be liable.

“Under the proposed amendments, developers will no longer be able to demand a proxy from buyers as a condition of buying a unit in the scheme.

“Another amendment will require members of an owners’ corporation executive committee, or someone standing for election to an executive committee, to disclose any personal or business connection they have with the developer, builder or caretaker.”

Other reforms include:

- making it clear that building managers are subject to the same regulation as caretakers
- stopping developers from making exclusive-use parking by-laws in the initial period
- Making it easier for the Office of Fair Trading to resolve building complaints.

A copy of the draft Bill can be downloaded from the office of fair trading website: [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)





## Buying Assets - Structuring for tax

Exposure to capital gains tax may depend on the way an asset is brought. If a property is brought in the individuals name it can be assumed to be a primary place of residency with no capital gains tax if held over twelve months. No land tax but if your spouse wants a divorce the asset will be exposed. Similarly if somebody wants to sue you the asset will be exposed.

Other properties that you own in your own name but do not live in are subject to landtax. This is worked out on the net gain from purchase to sale in relation to consumer price index. If inflation has been high the CPI index would have increased substantially and you would pay less tax. Most large capital gains are due to expensive renovations which can be deducted against the tax.

Many people will have just about everything under trusts and companies to protect themselves from lawsuits and creditors. However the downside is that companies and trusts pay landtax and capital gains. Also the banks charge commercial loan rates and require much higher deposits from companies. Only 50% of the rent can be used for repayments according to banks lending criteria. The end result is that 95% of properties are brought in individuals personal name.

Small business relief is available when an asset being sold is an active asset, meaning being used in a business, and where the net value of the business assets does not exceed \$6million dollars.

Properties zoned commercial or industrial have to charge GST on rent and fill out business activity

statements. When they are sold you have to pay gst on them. Development sites have gst on them which the purchaser can use to offset gst on construction costs. If the company still has tax losses they can be carried for seven years to offset against capital gains tax. If the asset was held before 1987 no land tax is applicable. Most members of the POA have such assets.

If the value exceeds \$6 million dollars a foreign based (tax haven) company is best. Shares in the company change hands and since it is still owned by the same company according to NSW land titles office. Also the Australian Securities and investment commission has no insight into changing share structures in foreign companies so no capital gains tax is payable.

The top end of the real estate market is dominated by people with old money with various companies and trusts with low levels of debt and large landtax liabilities. The bottom end is residential units with pay as you earn taxpayers with primary residency status and high levels of debt. When interest rates go up this market sector is the hardest hit. An example is Sydney western suburbs combined with commuters paying record petrol prices.

Considering that the average stamp duty is 3% and the average agent commission is 2% you loose 5% when you buy and sell a property in the short term. Most people hold on to their properties long term and only sell after redevelopment or some crisis.

# PROPERTY OWNERS ASSOCIATION OF NSW

## Membership application form

Subscription: \$80 per year

Name: \_\_\_\_\_ Surname: \_\_\_\_\_

Partner's Name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

Postal Address: \_\_\_\_\_

Email Address: \_\_\_\_\_ Telephone: \_\_\_\_\_

Mobile: \_\_\_\_\_ Fax: \_\_\_\_\_

Do you have a special interest in the Boarding House Division (circle)? Yes / No

## Credit card payment details

Please debit my credit card for (circle): \$80 MasterCard / Visa (circle one only)

Cardholder's Name: \_\_\_\_\_

Card No: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## Alternate cheque payment details

My cheque for \$80 is enclosed. I, the undersigned, hereby make application to become a member of the Property Owners Association of NSW Inc, and agree to abide by the Association's Constitution and By-laws.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Post or email your application to POA NSW:

Property Owners Association of NSW Inc  
PO Box 329, Bondi Junction NSW 1355  
Email: [memberships@poansw.com.au](mailto:memberships@poansw.com.au)  
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