

PROPERTY IN YOUR SMSF



One of the main reasons Self-Managed Superannuation Funds (SMSFs) are so popular among Australians is that they provide greater choice and flexibility to members for investing their retirement savings.

SMSF investment options include shares, bonds, managed funds, and even residential and commercial property. However before you get too excited with all of the real estate advertising targeting property ownership through SMSFs, every investment in your SMSF must satisfy stringent rules, in particular, the 'sole purpose test'. This means that you can't use the property for personal use, or rent it out to friends or family at reduced rates. It must be a legitimate investment.

Added protection

When you borrow within your SMSF you must take out a limited recourse loan. This arrangement limits any recourse the lender has under the agreement if loan repayments are not met for that particular property. The lender has no recourse over any other assets held by your SMSF.

Tax treatment

A major benefit of putting a property in your SMSF is the associated tax advantages, particularly if your investment is positively geared.

Property

When you hold an investment property within your SMSF, you will only pay 15% tax on rental income earned. Compare this to holding it in your own name and paying tax at your marginal tax rate, which can be as high as 46.5%. And once you reach age 60 you may not have to pay any tax on income earned from the property.

In addition, if your SMSF holds the property for more than 12 months, capital gains made on the sale of that property are taxed at a maximum rate of just 10%, or nil if you are receiving a pension from the fund.

Gearing into an investment property can provide further tax benefits. You can use a portion of your fund balance to pay the deposit and then make regular loan repayments from salary sacrifice super contributions that reduce your taxable income.

There are numerous rules governing Self-Managed Super Funds to protect the future of fund members. If this sounds like a good option for your retirement investment, always seek qualified advice in this specialised area before acting.

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NEXT STEPS

Get in touch with Enrizen via email or phone to understand your options.

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