

Compare the Property Structures

Which is better: Negative gearing in my own name or buying a property in my self managed superfund?

If you are on the top marginal tax rate (i.e. 46.5%) then it is better to use your self managed superfund. See the example of John below.

John who is 50 years old is considering borrowing and acquiring a \$500,000 rental property in his own name versus acquiring one in a self managed superannuation fund. The details are as follows:

- Total loss after depreciation and interest \$15,000
- Total annual repayment of principle loan \$30,000
- Sale of property after 10 years with \$500,000 capital gain
- John is on the top marginal tax rate of 46.5%

		Negative Gearing in Own Name	Self Managed Superfund		
Annual Tax Benefit			Tax Benefit (\$)		Tax Benefit (\$)
	Non-deductible loan payment (\$30,000)		0	Salary sacrifice contributions @ 46.5%	13,950
	Deductible rental loss (\$15,000 x 46.5%)		6,975	Tax payable on contributions (\$30,000 contribution less \$15,000 rental loss) x 15%	(2,250)
	Total Annual Tax Benefit		6,975	Total Annual Tax Benefit	11,700
Future Capital Gains Tax			CGT Payable (\$)		CGT Payable (\$)
	Discount Capital Gains on sale (\$500,000/2) x 46.5%		116,250	If in accumulation phase with a 10% tax rate	50,000
				If in Pension phase with no capital gains tax	0
Potential Capital Gains Tax saving of between \$66,250 and \$116,250					

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