

# Can I buy an NRAS Approved property through my SMSF

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**Answer:** You sure can!

Read on to understand some of the great benefits in acquiring an NRAS approved property inside your SMSF.

Please note that if you intend to borrow within super to assist in acquiring an NRAS property, this can be a complicated area within itself and you need to seek the right qualified advice before embarking.

Before we begin a quick lesson on what structures you can use to buy any asset. There are only three ways you can buy any asset! They are:

(1) In your own name, (2) in a company or (3) in a Trust. A SMSF ("Self Managed Superannuation Fund") is a trust that can last indefinitely. Imagine your investment horizon time line now!

Trustees of a SMSF can now invest to buy direct property and qualify for the NRAS tax and cash incentives when acquiring a NRAS approved property. As you would have gathered from before most of the NRAS properties are off-the-plan, meaning, are yet to be built. Therefore financing can be tricky as most lenders to SMSF's won't lend to a property that has not been built. (We do have a Major Bank that will lend on construction - so call us), most will only lend on completed properties.

## The Good news!

The maximum tax rate for a SMSF is 15%. Inside your SMSF if you buy and sell a property after 12 months you will only pay a capital gains tax rate of 10%. It gets better, if you are 55 or older, a certain strategy can be implemented by your adviser that essentially places all of your assets in CGT free position. That's right, pay no CGT.

## More good news!

The NRAS tax incentives are refundable tax offsets and can be used to offset more contributions as well. Let's look at a case study!

### Case study

Susan and Peter Jones are both 48, have their own super fund – Jones SMSF, and are both contributing their maximum super contributions to their SMSF. As part of their investment strategy they deciding to buy an NRAS approved property.

### Purchase price

\$400,000

### Market rent

\$400 per week (before rent decrease of 20%)

### NRAS Rent

\$320 per week

### Loan amount

\$280,000 (i.e. 70% LVR at 7.5% interest rate)

Jones SMSF	Non NRAS	NRAS scheme	NRAS with Loan
Rent p.a.	\$20,000	\$16,640	\$16,640
Contributions	\$50,000	\$50,000	\$50,000
Assessable income	\$70,000	\$66,640	\$66,640
Interest Deduction	\$0	\$0	\$21,000
Taxable income	\$70,000	\$66,640	\$45,640
Tax - 15%	\$10,500	\$9996	\$6846
NRAS tax offset	\$0	\$9542	\$9542
Tax Payable	\$10,500	\$454	\$0
Effective tax rate	15%	0.68%	0.0%

Tip! Don't over commit, aim to have a lower LVR if you can and leave healthy cash balance in your SMSF placed aside for admin fees and other expenses.

As we noted up front, you need qualified advice around this area and the above article is information only provided by - so please consult us for more information.