

# TAX

with Shukri Barbara

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## Education – getting your true money's worth

You may not be able to claim tax deductions for some property courses, warns **Shukri Barbara**



CHECK YOUR TAX SITUATION BEFORE SIGNING UP FOR A SEMINAR

**G**iven the large size of the property market and opportunities available from property as an investment, many people attend seminars to learn more about how to invest and generally educate themselves on how to create wealth using property as a class of asset.

These range from the short two hour promotional seminar to whole weekends and even life mentorship programs.

Such seminars can be very useful for investors and will discuss everything about investing in and creating wealth from rental properties, including topics such as:

- Developing investment strategies and business plans to acquire rental properties
- Sourcing the right type of property
- Strategies for dealing with financiers, developers and real estate agents
- Maximising opportunities for increasing investment property ownership
- Maximising return on current investment

opportunities including management of rental properties and maximising rental income.

On the occasions that I present at some of these seminars and education programs, I am often asked by some attendees and prospective investors whether the costs of seminars are tax deductible.

Depending on your personal circumstances and marginal tax rate the tax saving from claiming the expense as a deduction can vary from \$15 for every \$100 spent to \$46.50 per \$100 spent.

So what factors determine whether the fees are tax deductible for the individual?

Broadly, the basics of tax law say that to get a tax deduction the expense has to be incurred in generating assessable income – rent, in this case. That implies that rental income has to come first.

Where seminar expenses are incurred before any rental property is actually owned, the seminar expenses will be considered

capital or private in nature and therefore not deductible. This is the case even where payment is by instalment plan and a property is purchased within the instalment time. The sign up date is the relevant date.

Similarly, seminar expenses are not deductible where the topics relate only to acquiring and accumulating property.

If the expense is not deductible can it form part of the cost base of a rental property investment? Because it was incurred before a property is acquired it is considered a preliminary expense. As such it is excluded from the cost base by virtue of the definition in the tax legislation.

A tax deduction is available however where a rental income stream exists and the program includes topics relating to improving existing rental returns, reducing expenses, better management of the agents, tenants and tradespeople, and all items affecting yield.

Where topics of a seminar program are a mix of strategy, wealth creation and management, then determine the proportion relating to management, e.g. 10 per cent, and claim a deduction for that proportion of the total cost only. The calculation is either by the number of topics as a proportion of total topics on the brochure (relatively easy) or perhaps the time allocated by the presenters as a proportion of the total presentation.

To determine the deductible proportion, review the brochure and check the topics. Alternatively, discuss the matter with the presenters. ■

Shukri Barbara is principal adviser at  
 Property Tax Specialists  
[www.propertytaxspecialists.com.au](http://www.propertytaxspecialists.com.au)