



# Have your tax and spend it too!

**When you own a negatively geared investment property, did you know that the tax office will let you have your FUTURE TAX RETURN in your WEEKLY PAY?**

**How to make investing in property more affordable each week...**

If you are a **salary or wage earner with a regular pay packet**, it may be worthwhile learning about the Income Tax Withholding Variation, or ITWV for short.

This is an often under-utilised facility offered by the Australian Tax Office (ATO) that directs your employer to withhold less tax from each pay, which means more income paid to you, to assist with meeting the costs of your investment property.

## **Why use an ITWV?**

Taxpayers entitled to large refunds can access the funds held by the ATO in their weekly/monthly pay rather than waiting until their annual tax return is completed and lodged. There are various circumstances where this is appropriate, such as negatively geared investments:

- investment property (residential or commercial),
- your share portfolio, or
- large deductions relating to allowances received from your employer eg car expenses.

## **What is an ITWV?**

For salary and wage earners, your employer is required by law to deduct or “withhold” income tax from your regular pay packet. The amount withheld is based on a number of factors, the key ones being your salary/wage and the standard tax rates in place at that time. Your employer cannot vary the amount of tax withheld unless they have an approved ITWV from the tax office.

An ITWV authorises your employer to deduct or withhold a lesser amount of income tax than they normally would with the balance being paid directly to you.

## **What is the benefit of an ITWV?**

Property investors have tax deductible expenses each year when they rent out their property:

- interest on the mortgage,
- council fees,
- water rates,
- management fees, and
- strata fees etc.

In a normal scenario you would wait until the end of the financial year to claim these expenses.

Some properties (when negatively geared) may be costing you a lot to hold each week as you wait for your yearly refund. What the ITWV does is allow you to improve your cash flow as there will be more money in your pocket each week to assist with the holding costs of the property.

The major benefit of the ITWV is that you get the cash that would ordinarily come via your tax refund much earlier.

Wouldn't you rather have the money in YOUR pocket than leave it with the tax office accumulating interest for them?

Even if you are managing the investment property repayments, what could you do with the extra dollars you would receive each pay?

You could:

- use part or the entire additional amount to pay off your home loan, or
- put the additional amount in your offset account against your home loan, both saving you non-deductible interest costs and helping you pay down your own home loan quicker.

OR

- you could put it towards other running costs of the investment property.

**BUT DON'T** absorb it in your daily living. Use it wisely.

In other words, you can let the tax office help pay for the weekly/monthly costs of your negatively geared investment property or pay down your home loan.

Of course you could forgo these benefits and wait for your tax refund at the end of the year. However, many people who receive a big tax refund in a lump sum tend to blow it on consumables like a holiday, or a new car, rather than use it to reduce their home loan or to grow wealth.

If you already have an ITWV, remember that you need to have a new one issued each year as the ATO will only issue an ITWV for one tax year at a time.