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GET THE ANSWERS

FINANCIAL PLANNERS RESPOND TO YOUR QUESTIONS

NEED tax advice on land I bought in 1997. The land abuts my house block and both are rated a single block but on separate titles. This land has been used to grow vegetables and house chooks. It had a double steel garage, carport, water tanks, electric pump, picket fence and town water which I connected. It was bought for \$35,000 and it has now been sold for \$135,000. Are there any deductions I may be able to claim to help reduce capital gains tax?

A financial planner cannot provide specific tax advice, so this answer comes from Daniel Odd of MyLife Accounting. Land adjacent to a dwelling is exempt from CGT if the whole lot is sold together; but only if the land is used mainly for domestic purposes, and is less than 2ha. The vacant block has been sold separately, so the exemption doesn't apply, and as the land was bought before September 1999, there is no 50 per cent CGT exemption. The only expenses that may

be claimed are property improvements and holding costs. More information is required to fully assess the deductibility of the fence.

I plan to start a transition to retirement pension at 55, while still working full time and salary sacrificing 50 to 100 per cent of my annual salary of \$65,000. My super fund balance is \$625,000 taxable, \$221,000 exempt. The unrestricted non-preserved amount is \$147,500. At 55, can I roll over the maximum tax-free lump sum threshold amount of \$145,000 to another fund as an undeducted contribution, create and begin a tax-free transition to retirement pension? Would costs outweigh benefits?

If you can set up a transition to retirement pension with the same provider, your costs should be low. If you are over 50, you are able to salary sacrifice a maximum of \$50,000 (including employer contributions) until 2012 when it will reduce to

\$25,000. Any benefit you roll over will still keep the same ratio of taxable and tax-free components. For any income you draw, the percentage that is the taxable component will still be added to your taxable income and taxed at your marginal rate plus Medicare levy. Assuming you paid contributions tax along the way and you have obtained your preservation age when you start your pension, you'll be eligible for the 15 per cent pension rebate. Rolling over your unrestricted non-preserved amount preserves this component so that if you were unemployed before reaching preservation age, you could access these funds.

Answered by David Strybosch from MyLife Financial Planning. Answers are a general guide only. Professional advice should be sought before making decisions. To find a planner, call the Financial Planning Association on 1800 626 393 or www.goodadvice.com.au.