BAN TACS Number Cruncher Worksheet
Visit: bantacs.com.au/nc/nc_intro.php

Introduction

Welcome to the BAN TACS Investment Property Number Cruncher. We cannot encourage you enough to try as many variables as you can think of; after all you are considering an investment of life changing proportions.

Investment Property Costs - After CGT

The objective of this calculator is to give you as much financial data as possible about what your investment property will cost you to keep and how much capital growth is really required, after tax, to make the investment worthwhile after you take into consideration Captial Gains Tax (CGT). It is not enough to find a property in an area that you think will go ahead. It is important to know just how much growth is necessary to make a profit, after tax, on the investment, to fully evaluate the purchase.

Using Estimates

This calculator is not perfect, when looking to the future we have to use estimates and averages just as you will with some of the data you provide. Nevertheless, the effect of any variation from the estimates should be minor in comparison with the overall information being provided.
Though it is not exactly what this calculator is designed for it can also be used to evaluate the properties you already hold in your portfolio. In these circumstances you will be calculating the opportunity cost of tying up your wealth in the property, so you should use its current selling price after CGT and selling costs as the purchase price. You see it does not matter how much money it has made for you in the past. That is yours now and you need to decide independently from today forwards how to get the best possible return on that money.

Improvements to a Property

The calculator is not designed to consider improvements to the property you may make at some later date. You will need to evaluate these independently when you decide to undertake them. If you intend renovating before you rent the property out just include the renovation costs in figure O1, *Amount borrowed* (if you are borrowing to pay for them) and in figure P1, the *Purchase price*. You should also take them into account when working out figure R3, the *Estimated claimable depreciation on the building*. As a general rule of thumb, providing they are not landscaping costs you should be able to claim depreciation at the rate 2.5% on the renovation costs.

Negatively Geared Property

This calculator only works for properties that are negatively geared. If a property is positively geared from the start, yet you borrowed most of the purchase price, then the investment is probably worthwhile on that fact alone, providing the value of the property is not expected to fall.

Using the Number Cruncher

Only $44.95 to subscribe to calculate the values entered into the BAN TACS Number Cruncher for a period of one month or $79.95 for a whole years subscription. Please use the Number Cruncher Worksheetprovided to assist you in gathering the required information.

Use the BAN TACS Number Cruncher to:

- Find out how much a property needs to increase in value before you make money on it
- Compare Properties in Different Growth Areas
- Compare interest rate changes
- Use the percentage of growth results to compare a property investment against other investments
- Compare the difference if you hold the property for longer and sell in a lower tax bracket

Required Information

There are three areas in which you will need to provide information: *Property, Loan,* and *Owner Information*. The Property Information is the most detailed and has been broken into three sub-sections: *Purchase, Selling*, and *Running Costs Information*. Notes accompany each required value to help you along. Use the following form to help gather the required information.

Owner Information		
O1	**Estimate your annual income during the time you OWN the property:**	
O1 Note: Do NOT include the potential income from rent on this property. To give some consideration for changes in your income, please give an average of your expectations over the period of property ownership. This should be in today's dollars so don't allow for inflationary increases only promotions, etc.		
O2	**Estimated annual income when you SELL the property:**	
O2 Note: This is an excellent area for what if analysis i.e. what if you are forced to sell at a time when you are earning a very high income.		
O3	**Percentage of property ownership (eg 100):**	
O3 Note: This will help determine your tax bracket after the sale of the property. When inputting the property values later in this calculator please use the complete values; the calculator will apportion your relative amounts accordingly.		
Loan Information		
L1	**Amount borrowed for the property:**	
L1 Note: As long as the loan is used to purchase this property it is to be included as a loan here, don’t forget to include loans secured by other properties. If you already own the property, only enter the amount still outstanding for the property. Do not divide the loan/s according to percentage of ownership, separating out loan amounts is a feature that will be included in a later version of this calculator.		
L2	**Interest rate of loan (eg 7.95):**	
L2 Note: This is the ideal area for some what if analysis. Have a look at just what effect a ½ percent increase in interest rates will have on your cash flow, after tax. It might not be as scary as you think.		

Property Information

Purchase Information		
P1	**Original purchase price of property:**	
P1 Note: Do not include interest, stamp duty, and legal fees in the purchase price. If you already own the property, add its current selling price after CGT and selling costs and use that value as the purchase price. This should be in today's dollars so don't allow for inflationary increases.		
P2	**Cost base first element (ie market value or purchase price):**	
P2 Note: - Don't worry about adding back special building write-off at this stage. - The first element of the cost base calculation is usually the same amount as the original purchase price of the property as per above. But this is not always the case. - If you lived in the house before you rented it and it was first rented after 20th August, 1996 you must use the market value of the property at the time it became income producing as the first element of the cost base. Likewise, you need to use the true market value at the date of purchase if the transaction was non-arms-length; i.e. you managed to purchase the property below, or above, market value.		
P3	**Estimated costs of purchasing the property:** I.e. Stamp duty, initial repairs, building inspection reports and legal fees to buy.	
P3 Note: Renovations are not considered here as these need to be evaluated on their own merits. To understand more about how the cost base affects CGT and what it means to rent out a property that was previously your home, please refer to Chapters 6 and 15 of Julia Hartman's book: Saving Tax on your Investment Property.		
Selling Information		
S1	**Percentage you think the property value will increase annually (eg 3.2):**	
S1 Note: This figure is an annual percentage of what you would consider a reasonable expectation of increase in property values would be for the area? Australian Property Investor Magazine has some excellent data to help you with this decision.		
S2	**Number of years property may be held:**	
S2 Note: Vary the number of years you intend to hold this property while using the BAN TACS Number Cruncher to see what difference it makes.		
S3	**Financial year of sale:**	
S3 Note: If you are selling your property within a financial year in which we know the Tax Bracket Estimates we can calculate your tax payable more accurately otherwise tax will be calculated based on the tax rates predicted for the most future year available.		
S4	**Estimated selling price:**	
S4 Note: Estimate the price you expect to sell the property for and see how it compares with what the BAN TACS Number Cruncher says is the bare minimum selling price to breakeven. Here is where we want you to consider the inflation.		
S5	**Estimated selling costs:**	
S5 Note: This includes advertising, agent’s commission, auction fees, Legal fees, etc. Also consider inflation in this figure.		

Running Information		
R1	**Rental income per annum:**	
R1 Note: Vary this amount while using the BAN TACS Number Cruncher to see how much difference it makes after tax. It would be wise not to just multiply the weekly rent by 52; you should allow a margin for periods of vacancy.		
R2	**All annual out of pocket costs of holding the property (deductibles):**	
R2 Note: - These are all the cash flow expenses associated with the property except interest; they include rates, insurance, agent fees, repairs and maintenance (but not improvements). This figure could also include your travel expenses to inspect the property; including accommodation and food. Agent's fees are usually 9% of annual rent. - If it is a repair or maintenance it is deductible when incurred and is included in this figure. If you replace something in its entirety or improve it beyond the condition it was in when you bought it then it is not deductible but can be depreciated - see R3. - Repair example: Replace the whole fence there is no deduction, as that would be an improvement, but repair the fence one bit at a time, replacing it over a few years, there is a full deduction as long as it was in good order when you purchased the property (so it can be included here). - Improvement example: Replace a tin roof with a tile roof there is no deduction because you have improved it - even if the tin roof was leaking; you can not even claim a deduction for what it would have cost to replace the whole tin roof with more tin.		
R3	**Special building write-off (building depreciation):**	
R3 Note: This figure is the amount claimable per year. This only applies to buildings or improvements started after 17th July, 1985. For work done during the period 17th July, 1985 to 16th September, 1987 the rate is 4% pa for 25 years. After the 16th September, 1987 the rate is 2.5% for 40 years. It is the original cost to do the work not the amount paid by a later purchaser and it does not include landscaping or plant and equipment.		
Here is a tool to help you calculate your building depreciation: BMT & Assoc Tax Depreciation Calculator:http://mail.bmtqs.com.au:8080/tax%20calc/tax_estimator.jsp.		
R4	**Depreciation (plant and equipment):**	
R4 Note: The depreciation rate on plant and equipment is much higher than the building. If you are buying an established property you will need to estimate the second hand value of the plant and equipment as your basis for depreciation. If the property was your home before it became a rental property and you have owned it for many years there may be no value left in the plant and equipment to depreciate.		
We have prepared a 'Depreciation Explained Supporting Information' page to help you calculate your estimated depreciation. This link will take you a comprehensive depreciation list provided by the ATO: http://www.ato.gov.au/individuals/content.asp?doc=/content/00191817.htm&page=28&H28		