

**Q** *I just bought a property in Australia using a Buyers Agent, is their fee tax deductible?*

**A** A Buyers Agent is an increasingly popular way to find a property in Australia.

They are usually qualified Real Estate Agents that have moved away from “selling” property and instead have chosen to work independently representing the buyer by seeking out property specific to the requirements and specifications of the buyer.

This can be very beneficial for overseas based investors and property seekers as they can have a dedicated professional looking for them even though they may not have the time to visit their chosen purchase location.

This is especially true in Sydney and Melbourne where the large size of these cities means that it does help to have someone on the ground and connected to the industry.

As with all things, this service does have a cost and it is usually around 2% of the final purchase price. Most Buyers Agents are very aware that they need to justify their fee and will negotiate aggressively to ensure they acquire the property at a price lower than you could do yourself so they cover the additional cost of their service.

From a tax perspective the Buyers Agent fee is seen as a capital cost of the purchase and therefore it can not be claimed against your income tax.

The only exception to this would be if you bought property in Canberra and rented it out as the property if the property was leasehold title, so purchase costs (including a Buyers Agent Fee) can be claimed against the rental income.

For all other states it would be a full capital cost and as such you will gain some tax benefit, not against your income tax but it will be able to offset future Capital Gains Tax on eventual sale of the property. This is not as attractive as if it was an income tax deduction, but at least it does have some tax benefit.

When a property is sold, all the purchase and sale costs come off the sale price to establish a Net Capital Gain and only this surplus is subject to tax. In this way a Buyers Agent fee is treated in the same way as other acquisition costs such as Stamp Duty and Legal Fees.

If you do not intend to sell the property in the indefinite future, then the benefit is maintained but a long way off being able to be seen as only on sale is any Capital Gains Tax payable and the cost would not be offset until that time.

If you are acquiring the property as your intended family home on return to Australia, then the cost may not have any tax benefit as the house may not be subject to Capital Gains Tax under the primary residence exemptions.

As such, when using a Buyers Agent the primary issue is value for service. Make sure that the Agent you use is able to understand and fulfil your requirements and capable of finding and negotiating on the right property for you.

They should be able to achieve a better result than you could have done yourself and in most cases this should be true.

Steve Douglas is the co-founder and Managing Director of Australasian Taxation Services (ATS), established in Singapore in 1995. ATS provides specialist taxation services to people of any nationality investing in Australian property, as well as Australian expatriates living overseas. Areas of specialisation include the Australian taxation aspects of property investment, as well as expatriate and migration planning.