

IN THEORY Residential rental property with EST applied

RESIDENTIAL RENT WITH EST BASE OF 2% PLUS EST INDEX LOADING OF 50 BASIS POINTS

For the purpose of the exercise consider this sample annual statement for a residential property purchased for \$500,000 rented @ \$500 per week / \$25000 pa and having a Variable Base rate mortgage of \$400,000 @4% Plus EST Index loading 50 basis points

Base EST and index increases are not charged on rent as the landlord passes these to the tenant.
It is assumed that the bank mortgage rate is 2%base rate plus 2% BANK margin = 4%

XYZ Realestate Annual Rent Statement

		Annual rent	\$25,000.00
Less Expenses			
Base 2% EST plus index loading 50B		2.50%	
Council Rates	\$1,800.00	\$45.00	
Land Tax	\$1,500.00	\$37.50 is tax churning	
Water rates	\$1,400.00	\$35.00	
Gardening	\$1,200.00	\$30.00	
Plumbing repairs	\$2,000.00	\$50.00	
Agency fees	\$2,200.00	\$55.00	
Total	\$10,100.00	\$252.50	\$10,352.50
Paid to the ATO by the provider of sundry services		\$252.50	
	PROFIT BEFORE BANK INTEREST AND EST		\$14,647.50
LESS Bank interest @4% on the loan of	\$400,000.00		\$16,000.00
LESS EST EST INDEX LOADING PAID TO ATO	50 BASIS POINTS	\$0.005	\$2,000.00
	NET LOSS		-\$3,352.50
	\$9,695.00		
EST INDEX LOADING PAID TO ATO		\$2,000.00	
		\$8,000.00	
GST replaced with EST saving		\$342.50	
	REVISED NET LOSS		\$3,352.50

THE LANDLORDS LOSS OF \$9695 WAS REDUCED TO \$3352 WITH THE INTRODUCTION OF EST

This model assumes that GST is replaced with EST plus a 50 basis points Index increase applied across all economic activity tempering the rate of adjustment required to be applied by the banks. It must also be understood that EST is flexible in its application and industry loadings can be applied to temper demand such as 200bp loading to Diversified Consumer Products group. Eg Target and Kmart.

GO FIGURE .. The biggest selling vehicle for 2023 was the Ford Ranger 63,356 UNITS

Assuming the driver of that result was the the instant asset write off available to small business and the GST on those vehicles was \$5000 per unit = \$316 million was taken out of the GST POOL

If EST was applied to the import and sale of the Ford the cumulative EST to the ATO would be \$2000 which is not able to be claimed as input credit and the tax burden is fairly spread.

TAX CHURNING

The landlords net loss is written off against PAYG earnings and reduces the tax pool paid for by fellow Australians. In the example as a result of better taxation management the tax write off has been reduced and rents should stabilise. The index loading of \$2000 was paid to the ATO and the deduction From PAYG earnings was reduced by \$6163. at 30%tax saves \$ 1849 being taken from the tax pool.