

## property

Pam Walkley

# Buying in Tuscany

No problem – if you do the research first



**IT'S NOT HARD TO FALL IN LOVE WITH AN** exotic location when you're on holiday. I must confess my weakness is Paris and there have been times I've been tempted to buy an apartment in the city of light so I could spend more time there.

Money reader Cassie is in love with Tuscany in Italy, which she recently visited with a group of friends. They are thinking of buying their own holiday home in the area – one they could rent out to others to partly cover costs when they're not using it.

Now they have actually chosen a property, Cassie wants to do a bit more research on how to buy in Italy. "I also want to know more about the tax implications and the pitfalls of buying with a group of friends."

The chosen property is a good-sized four-bedroom house in the village of Bagnone, about 15 minutes from Villafranca, a larger town on a railway line. Asking price is about \$133,000 but it needs renovation.

Well Cassie, the good news is you can get plenty of advice on buying property in Italy

## The tax office will watch claims for travel to inspect your property

on the net. A good place to start is at [www.keyitaly.com](http://www.keyitaly.com), which guides you through the process and outlines the consultants you need to employ along the way.

One point that stands out is that you need to add about 15% to that price just to cover all the costs of buying the property.

With regard to tax there are a number of considerations. Since you intend to earn some income from it, you will all have to declare your share of that income in your annual tax returns in Australia. It's unlikely you will have to pay any income tax in



Italy, as it has a tax treaty with Australia. As a landlord you will be able to claim the same deductions as if you owned an investment property in Australia. These include interest on borrowings associated with the property, and many other expenses.

But you have to watch three things carefully. First, do not make the mistake of thinking you can renovate the property and claim this as a tax deduction. You can only claim for repairs and maintenance. If there are holes in a wall you can fill them and claim the cost, but you cannot claim the cost of replacing the entire wall.

Second, you can only claim deductions for the time the property is available to tenants. If you and your friends use the property for a total of 12 weeks a year you can claim pro-rata expenses for the other 40 weeks providing the property was advertised and available for lease for that time.

The other thing the tax office will watch is claims for travel to inspect your property. Do not think you will be able to swan off to Italy several times a year and claim these visits as inspections. It's likely that part of one annual trip may be claimed, but you must use common sense.

With shared property anywhere it's important to have all the ends tied up legally, especially if you want your friendships to last. Melbourne-based international lawyer Michael Bula recommends a shareholder agreement that details the values of shares, an exit strategy and what happens if a member of the syndicate dies, divorces or wishes to bring in another shareholder. For more on buying foreign property see *Buying offshore* on page 56 and *Watchdog* on page 38.

### Property focus



**Where:** Broken Hill NSW  
**Price Range:** Houses \$69,000 to \$490,000. No units!  
**Rental value:** Houses \$100pw to \$350pw. No units!  
\*source: [www.realestate.com.au](http://www.realestate.com.au)

Broken Hill, on the edge of the NSW outback, 1160km from Sydney, was named as the top bargain area for houses in Australia by Terry Ryder of [www.hotspotting.com.au](http://www.hotspotting.com.au). Ryder was looking for areas with low prices, solid rental returns and potential for price growth. Broken Hill, with a median house price of \$125,000 after 33% growth in prices last year, topped the list. Rental yields are around 6%. Flow-on benefits from the resources boom are likely to increase for the town with the development of more mines in the area, as well as a \$2.5 billion wind farm. The area also has a healthy tourism industry.