

Which Structure Should You Buy Your Next Investment Property In?

A quick-reference guide for Australian investors | Andrew Romano CA, SMSF Specialist | andrewromano.com.au

The Four Structures Compared

	Personal Name	Family Trust	Company	SMSF
Tax on rent	Marginal rate (up to 45%)	Distributed to beneficiaries	25% flat (base rate)	15% (accum.) 0% (pension)
CGT on sale	50% discount after 12 months	50% discount, distributed	No CGT discount	10% (accum.) 0% (pension)
Asset protection	None	Strong	Strong	Strong
Negative gearing	Direct offset against income	Losses trapped in trust	Losses trapped in company	Losses trapped in fund
Land tax (NSW)	\$1.075M threshold	NO threshold (special trust)	\$1.075M threshold	\$1.075M threshold
Setup cost	\$0	\$1,500-\$3,000	\$1,000-\$2,500	\$2,000-\$5,000
Annual cost	Minimal	\$1,500-\$2,500/yr	\$1,000-\$2,000/yr	\$3,000-\$6,000/yr
Best for	First property, neg. gearing	Families, income splitting	Accumulation, reinvesting	Near retirement, long-term hold

Decision Framework

Ask yourself these questions in order:

1. Are you negatively gearing?

If yes and you need the deduction against your income now, personal name is usually simplest.

2. Do you have family members at lower tax rates?

If yes, a family trust lets you distribute rental income and capital gains to lower-taxed beneficiaries. Check the NSW land tax impact first — trusts lose the \$1.075M threshold.

3. Holding long-term and reinvesting?

A company taxes rental income at a flat 25% instead of your marginal rate (up to 45%). Good for accumulation, but no CGT discount on sale.

4. Super balance \$200k+ (couple) or \$175k+ (single)?

If yes and within 10-15 years of retirement, an SMSF could work. 15% tax on rent now, 0% in pension phase. Costs are \$3k-\$6k/year so the balance needs to justify it.

Key Warnings

Section 100A: The ATO is targeting trust distributions that don't reflect real economic arrangements.

NSW Land Tax Trap: Family trusts are 'special trusts' — no \$1.075M threshold. You pay from dollar one.

Division 7A: Taking money out of a company (other than salary/dividends) triggers deemed dividend rules.

SMSF Restrictions: Cannot renovate with borrowed funds. Cannot live in a residential SMSF property.

2025-26 Rates: All figures based on the current financial year. Tax laws change — verify with the ATO.

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