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## Negative Gearing. What is it?

Negative gearing, put simply, is investing in something whereby the income produced by that investment will be exceeded by the costs incurred in holding that asset. Thus a rental property can be negatively geared where the rent you receive is less than the rental expenses. Similarly, investments in shares can be negatively geared if you borrow money to buy the shares and the interest on that loan exceeds the income (dividends) produced by those shares.

Negative gearing is a popular way of increasing your tax refund at the end of each tax year as your taxable income will be reduced by the loss created by the negatively geared investment. However, make sure your investment is a sound one. You don't want to invest in something just for the tax deduction!

