



# RENTAL AND PROPERTY INFORMATION CHECKLIST

## WHAT CAN YOU CLAIM?

As the owner of a rental property, you are entitled to claim a deduction for certain expenses you incur **for the period your property was rented or available for rent**. You cannot claim expenses of a private or capital nature – however, you may be able to claim a deduction for the decline in value of capital expenses or you may be able to claim these capital costs as part of the cost base of your asset when calculating Capital Gains Tax.

## OWNERSHIP ISSUES:

It is important to note that the **legal ownership of the rental property determines the proportion of ownership/entitlement to deductions on your Income Tax Returns**. This means that if a husband and wife purchase the rental property in joint names, then their levels of ownership will be 50/50 (unless stated otherwise in the purchase contract). The ATO has been known to audit the ownership proportions of rental properties. Please ensure that the proportion stated on your Income Tax Returns matches the legal ownership of your property.

## RENTAL EXPENSES YOU CAN CLAIM:

There are a number of rental expenses which you can claim in the year in which they are paid. The checklist at the end of this information sheet contains a list of these expenses.

### Interest on Loans:

If you take out a loan to purchase the rental property, you can claim the interest charged on that loan as a deduction. However, the property must be rented or available for rent in the year you incur the interest.

If the loan is taken out for more than one purpose, the interest must be apportioned according to the amount borrowed for the purpose of the rental property only. The purpose of the loan is very important in calculating the deductions available to you.

### Repairs:

Expenditure for repairs and maintenance of the property are deductible as long as they relate directly to wear and tear or other damage which occurred as a result of renting the property.

Repairs generally involve replacement or renewal of a worn out or broken part, however, they cannot be an improvement to the rental property or the replacement of an entire structure (e.g. an entire fence, kitchen cupboards or fridge).

The following expenses are considered by the ATO to be **capital** in nature and therefore not deductible:

- Replacement of an entire structure/unit of the property
- Improvements, renovations, extensions or alterations; and
- Initial repairs – e.g. in remedying defects, damage or deterioration that existed at the date you acquired the property within the first 12 months.



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You may be able to claim a deduction for the capital works/ depreciation of these expenses, or they may form part of the cost base of the property for capital gains tax purposes.

## Capital Works Deductions:

You can deduct certain kinds of construction expenditure over a period of 25 or 40 years, however, the total deductions claimed cannot exceed the cost of construction. A deduction can only be claimed once construction is complete.

Deductions based on construction expenditure apply to capital works such as:

- A building/extension
- Alterations such as removing or adding an internal wall; or
- Structural improvements to the property – adding a gazebo, carport, driveway, retaining wall or fence.

## SOME RENTAL PROPERTY TIPS/TRAPS:

- Make sure that the loan to finance your rental property **directly relates** to the purpose of purchasing a rental property and not for private assets. The purpose of the loan will be closely scrutinised by the ATO.
- You can only claim deductions for the period during which the property was rented or available for rent.
- If your rental property was used for more than one purpose, your deductions must be apportioned according to the purpose it was used for renting, and not for private purposes.
- Be careful when repairing. Improvements and total replacements are often considered capital so you will not be able to claim a deduction for them immediately (depreciation or capital allowances may, however, be used).
- **Initial Repairs:** Deterioration and damage which was

present at the time of purchase of the property cannot be claimed as a repair until **at least 12 months** after purchase. This is a BIG trap for rental property owners. Please contact our office for more details if you need.

- The cost of obtaining finance in relation to your rental property (borrowing costs) must be claimed as a deduction over five years. This includes loan application fees etc.
- Once your property earns income, it will be subject to Capital Gains Tax upon sale. Capital Gains Tax will be applicable from the **date you sign the contract to sell your property – not settlement date**. Please contact our office prior to signing a contract if you would like an idea of how much capital gains tax you may be liable for.
- **Ensure you have sufficient documentary evidence to substantiate the claims you are making – doing everything through an agent makes this easier, however, it is more expensive. Ensure the following are kept for 5 years after you SELL the property:**
  - Bank Statements regarding the rental property loan
  - Receipts for expenditure
  - Copies of receipts for rent received (if you don't go through an agent) and copies of bank statements where the rent went into.
  - Your settlement statements from your Solicitor relating to the purchase of the property; and
  - Your finance/mortgage contracts

# RENTAL AND PROPERTY INFORMATION CHECKLIST

## BASIC DETAILS

Please fill in the below section with your rental property details:

1. Address of Rental Property: \_\_\_\_\_

2. Legal Owners of the Property \_\_\_\_\_

A. Owner One: \_\_\_\_\_ Share: \_\_\_\_\_ %

B. Owner Two: \_\_\_\_\_ Share: \_\_\_\_\_ %

C. Owner Three: \_\_\_\_\_ Share: \_\_\_\_\_ %

D. Owner Four: \_\_\_\_\_ Share: \_\_\_\_\_ %

### 3. Property Availability

A. Date the property was first rented: \_\_\_\_\_

B. Number of weeks the property was rented for this year: \_\_\_\_\_

C. Number of weeks the property was available for rent: \_\_\_\_\_

## THINGS TO REMEMBER

Please take note of the following points:

1. Please remember that the following is not an exhaustive list. If you have paid or received money in relation to the rental property which is not on this list, please add these before totalling.
2. In relation to capital works deductions and capital allowances, this expense occurs when you purchase a new property for rent and significant improvements have been done to the property. If your property was constructed after 1985 – PLEASE CONTACT OUR OFFICE for further details in relation to this deduction. This is not a common deduction, but one that is worth looking into if you think it may apply to you.
3. Do not undertake repairs to your rental property in the first year that you own it. The ATO has stated that any repairs (other than basic maintenance and odds & ends) are not deductible if they are undertaken in the first 12 months after purchase. The ATO deems that these repairs form part of the purchase price of the property and are not to be used as a deduction against rental income.
4. If you purchase something significant or make improvements to your rental property, then these items are able to be used as a deduction. Depending on the item, we may be able to claim their decline in value over a certain number of years. Therefore, if there were any items/improvements undertaken to your property which cost over around \$200 each, please write them in the depreciation section on page 5 along with the date the cost was incurred.



# RENTAL AND PROPERTY INFORMATION CHECKLIST

## INCOME AND EXPENDITURE

Please enter the total amount of income and expenditure, not just your share:

### INCOME:

Rental Income

Other related income (e.g., insurance refunds,)

### TOTAL INCOME:

### EXPENSES:

Advertising Costs for Tenants

---

Agent Commissions & Fees

---

Bank Fees (on rental property loan only)

---

Body Corporate Fees (if applicable)

---

Borrowing expenses

---

Cleaning Costs

---

Council Rates

---

Electricity/Gas (provided YOU paid for it)

---

Gardening/Lawn Mowing

---

Insurance – building, contents, liability etc.

---

Interest on Loans (interest must be claimed per property)

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Land tax (if applicable)

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Legal Costs re: Tenancy & Finance Arrangements

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Mortgage Discharge Expenses

---

Pest Control

---

Quantity Surveyor Fees

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# RENTAL AND PROPERTY INFORMATION CHECKLIST

Secretarial & Book-keeping fees	_____
Security	_____
Repairs/Maintenance (inc. paid through agent)	_____
Capital Works Deductions (see page 3)	_____
Stationery, Telephone calls and Postage	_____
Tax Related Expenses	_____
Water Charges	_____
<b>TOTAL EXPENSES:</b>	_____

<b>Total income</b>	-	<b>Total Expenses</b>	=	<b>NET PROFIT/LOSS</b>
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# RENTAL AND PROPERTY INFORMATION CHECKLIST

## POSSIBLE ITEMS FOR DEPRECIATION

Please fill in the below information for items you wish to claim depreciation for:

1. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_

2. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_

3. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_

4. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_



# RENTAL AND PROPERTY INFORMATION CHECKLIST

5. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_

6. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_

7. Description: \_\_\_\_\_

Cost: \_\_\_\_\_ Date: \_\_\_\_\_

Purpose: \_\_\_\_\_

\_\_\_\_\_