

## Tax time - understanding the basics

We are fast approaching that time of the year where property investors need to get prepared and take the time to understand their tax obligations.

Whether you plan on preparing your tax return or working with an accredited accountant, the following can assist you in getting organised, including a couple of helpful tips to better understand rental income and expenses.

Rental income is simply the total amount of rent and other associated payments, such as re-funded bond money at the end of the tenancy, reimbursements, insurance payouts, and booking or cleaning fees received.

Rental expense is the total amount incurred or paid that is directly associated with renting the property.

There are three (3) categories of rental expenses:

1. Non-claimable deductions
2. Immediate claimable deductions
3. Deductible over several income years

### Non-claimable deductions

- Acquisition and disposal cost of the property.
- Expenses not incurred by you, such as water or electricity usage paid by the tenant.
- Expenses related to periods where the property was not available for rent.
- Travel and seminar expenses related to the prior purchase of a property.
- Travel expenses relating to the management of the property incurred from July 1, 2017.

### Immediate claimable deductions

#### RENTAL PROPERTY STATEMENTS

- Administration costs (stationery and postage)
- Advertising for tenant costs
- Agent's fees and commissions
- Body corporate fees
- Cleaning & caretaking fees

#### PRIVATE RECORD STATEMENTS

- Accounting fees
- Bank charges
- Home office expenses (where deductible)
- Interest on loans
- Land tax

- Council rates
- Electricity and gas
- Gardening and lawn mowing
- Inspection costs (including annual certificate fees)
- Insurance premiums (landlord, building, contents, public liability)
- Pest control
- Repairs and maintenance
- Water charges
- Legal expenses
- Mortgage discharge expenses
- Quantity surveyor's fees
- Stamp duty fees
- Stationery and postage
- Tax-related expenses
- Travel and car expenses (where deductible)
- Borrowing expenses, depreciation (as per schedule), and capital works

### **Deductible over several income years**

There are three (3) types of expenses deductible over several years as outlined below, which can be a more complex part of the overall tax return that will require professional advice, reports, and the preparation of schedules.

1. Borrowing expenses
2. Depreciation
3. Capital works

The above is a brief overview of understanding tax time so that you can be more prepared. We recommend that all investors organise a pre-tax planning meeting with their accountant or financial advisor to ensure you claim the maximum benefits.

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