

ARROWHEAD TAX ACCOUNTANTS

Education Series

Rental Property Investments

According to data sourced from the Australian Taxation Office rental income and deduction will always be closely monitored since 2.2 million Australians hold and investment property and claim over \$50 billion in deductions each year. (ATO Year Ending 30 June 2019.)

However, the opportunity to optimise the deductibility of associated expenses relating to your property should be scrutinised a little closer by following a few tips to ensure you remain compliant with the Australian Taxation Office. Kenneth Chircop, Director, Arrowhead Tax will guide you through this.

For most of you, the interest expense associated with financing your rental property will yield the greatest deduction. However, care must be taken to ensure the interest expense is apportioned correctly if the finance is for a mixed use or the rental property is not exclusively available to tenants at market rates (e.g., for family or friends).

The depreciation of fixtures, fittings, and the property itself is also deductible under certain conditions. The caveat being that a schedule must be prepared by a certified quantity surveyor who is also a registered tax agent. There is a cost incurred to prepare these schedules, which may be well worth it if you have purchased a newly constructed property.

Finally, the following worksheet may act as a guide to assist you to determine what information is required to prepare the rental property section of your tax return. As with all sections of your tax return, this section is no different and must be fully supported with receipts and diary entries. However, it is important to establish that your rental property was genuinely available for rent. Also, that repairs to your property and in fact repairs, as opposed to capital improvements as excessive deductions for repairs may comprise the validity of your deductions.

The following list represents the complete list of rental property deductions that may be available to you.

Rental Deductions

- Advertising for tenants
- Body corporate fees and charges
- Borrowing expenses
- Cleaning
- Council rates
- Deductions for decline in value
- Gardening / Lawnmowing
- Insurance
- Interest on loans
- Land tax
- Legal expenses
- Pest control
- Property agents fees / Commissions
- Repairs and Maintenance
- Capital works deductions
- Stationery, telephone and postage
- Travel expenses
- Water charges
- Sundry rental expenses

Disclaimer: The contents of this paper are for general information only. They are not intended as professional advice, for this you should contact a suitably qualified accountant or other professional. The tax law and ATO position on these matters may be subject to both prospective and retrospective changes. The information is current as at 20 March 2023, and provides the best information available at the time.

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