

# TAX RECEIPTS

## Invest TIME in HELPING your investment property PAY for ITSELF

### Claim all possible deductions

Take a moment to review the list below and compile paperwork for expenses you have incurred.

#### Initial borrowing expenses

(if over \$100, deductions spread over five years)

- stamp duty charged on the mortgage
- loan establishment fees
- title search fees charged by your lender
- costs for preparing and filing mortgage documents
- mortgage broker fees
- fees for a valuation required for loan approval
- lender's mortgage insurance, which is insurance taken out by the lender and billed to you

#### Interest expenses

You can claim the interest charged on the loan used to:

- purchase a rental property or land to build a rental property
- purchase a depreciating asset for the rental property (eg an air conditioner)
- make repairs to the rental property
- finance renovations on the rental property

#### Other expenses

- advertising for tenants
- bank charges
- body corporate fees
- council rates
- gardening and lawn mowing
- insurance
- land tax
- legal expenses for preparing a lease or evicting a non-paying tenant
- pest control
- phone

- property agent fees or commissions
- repairs and maintenance
- stationery
- travel undertaken to inspect the property or to collect the rent
- water charges (if not paid by the tenant)

#### Depreciation

This area requires some calculation by you or your accountant but is well worth the effort as deductions can be significant (particularly for newer properties).

#### Capital works

You may be able to claim a deduction (usually at the rate of 2.5% per year in the 40 years following construction) for the construction cost of:

- buildings
- extensions, such as a garage or patio
- alterations, such as adding an internal wall, kitchen renovations or bathroom makeovers
- structural improvements - such as a gazebo, carport, sealed driveway, retaining wall or fence

#### Decline in value of depreciating assets

The fixtures, fittings and appliances in your property reduce in value over time as a result of normal wear and tear. The ATO allows you to claim deductions for these each year. In order to substantiate this you should consider getting a professional quantity surveyor's report for applicable depreciation deductions during the life of your property.

**The above checklist is to get you started, please consult us before making any decisions.**

But most importantly ...make sure you keep all receipts as no receipt = no deduction.

SOURCE: ATO

### Ask us to send you the detailed ATO document:

- Guide for rental property owners

This guide explains how to treat rental income and expenses, including how to treat more than 230 residential rental property items.

### Call our office today:

For our article "Investors: Are you missing out on potential tax credits?"

Disclaimer: No investment advice provided to you. This article is not designed for the purpose of providing personal financial or investment advice. Information provided does not take into account your particular investment objectives, financial situation or investment needs.





## **Investors don't have to wait for tax returns to benefit from negative gearing**

A common investment strategy is to finance the purchase of residential property using debt which can be in the form of a mortgage over the property. Generally, interest expenses incurred in connection with the mortgage will be deductible for income tax purposes by the investor.

Where interest and other related expenses (such as rates, repairs and insurance) exceed the rental income from the investment property, the investment is commonly referred to as "negatively geared" because tax deductible expenses exceed rental income.

### **Investors have the potential to bring this benefit forward by either:**

1. Salary sacrificing interest payments (paid under an arrangement with their employer). This has the effect of reducing tax instalments that would otherwise be withheld by the employer from salary or wages. (Note: you should check Fringe Benefits Tax implications)

Or

2. Submitting a form to the ATO requesting a reduction in income tax instalments (that the employer would otherwise be required to take from salary or wages) deducted by your employer based on your expected net rental loss (PAYG income tax withholding variation (ITWV) application (NAT 2036).



### **Call our office today:**

- To obtain a copy of and instructions for completing the PAYG income tax withholding variation (ITWV) application (NAT 2036)
- For our full article "Did you know that property investors need not wait for their tax return?"

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