





Claiming rental property deductions?


7 tax time tips ...


1  Keep all your receipts to justify the deductions that are being claimed. An absence of such receipts will make life very difficult if an audit calls for proof of the expense.

2  The property must either be rented, or “genuinely available” for rental in the income year for which a deduction is claimed. If you use the property for private purposes, you cannot claim expenses.

3  You must demonstrate a clear intention to rent out the property. If no attempt is made to advertise the property, or the rent is set at an unrealistically high non-commercial level such that it could not on any reasonable basis be rented out, the ATO is likely to take the view that there was no intention to rent out the property, and the rental claims may be disallowed.

4  Rental expenses need to be apportioned in some situations. This arises in the context of holiday homes, where either you or your family or friends, can stay in the property free of charge for part of the year. To the extent that the expenses relate to that part of the year during which the property is not rented or available for rent, you are not entitled to a deduction for costs incurred during those relevant periods.

5  If your property is rented to family or friends for less than arms-length market rental, the ATO may treat the arrangement as being of a private nature, and could, in all likelihood, only allow you to claim sufficient deductions to offset the rent, but not so as to make a tax loss.

6  You can no longer claim deductions for travel expenses relating to inspecting, maintaining, or collecting rent for a residential property.

7  Where residential investment properties were purchased after 9 May 2017, plant and equipment depreciation deductions will be limited only to outlays actually incurred by the investor.

For more information visit
taxinstitute.com.au/federal-budget



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Rental property deductions

✓ DO'S



✗ DON'TS

If you have an investment property, here's what you can and can't claim...

- ✓ Advertising for tenants
- ✓ Bank charges
- ✓ Body corporate fees and charges or strata levies
- ✓ Cleaning costs 
- ✓ Council rates
- ✓ Depreciation (including certain capital works)
- ✓ Electricity and gas
- ✓ Gardening and lawn mowing services 
- ✓ Inhouse audio/video service charges
- ✓ Insurance (including building contents and public liability)
- ✓ Land tax 
- ✓ Letting fees
- ✓ Pest control services 
- ✓ Property agent's fees and commission
- ✓ Quantity surveyors' fees
- ✓ Secretarial and bookkeeping fees
- ✓ Security patrol fees 
- ✓ Servicing costs (eg the costs of servicing a water heater)
- ✓ Stationery and postage costs
- ✓ Tax-related expenses
- ✓ Phone call and rental costs 
- ✓ Water rates 

- ✗ Expenses of a capital nature or of a private nature
- ✗ Expenses related to the acquisition and disposal of the relevant property
- ✗ Expenses that are body corporate payments to a special purpose fund to pay a particular capital expenditure
- ✗ Expenses which are not actually incurred by the taxpayer (eg water and electricity charges paid by the tenants)
- ✗ Expenses that aren't related to the rental of a property (eg expenses connected to a holiday home that is rented out for part of the year).

Did you know?

In Australia, there are

> 2 million



people who claim around

Ⓢ 46 billion

in rental property deductions in their tax return.

 = 100,000 people



The lion's share of the available tax deductions is the interest portion of a mortgage connected with the property.

Other costs can be claimed on an immediate basis as long as they have not been incurred by the taxpayer and they haven't been recouped elsewhere (eg payment from the tenant).

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