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Rental Property Checklist

This checklist is to provide you with a list of the type of information your accountant will need to complete your income tax return if you own a rental property.

Rental Income:

Rental income is taxed on a cash basis.

E.g. if the rent is in arrears and is for the 26/6/20XX to 2/7/20XX then the rent goes into the following years income.

Rental income includes;

- ☐ Rent
- ☐ Bonds paid to the owner on tenants leaving.

Deductions:

You can claim a deduction for a number of rental expenses;

- ☐ Council Rates
- ☐ Interest on loans
- ☐ Bank charges
- ☐ Electricity & gas
- ☐ Insurance
- ☐ Repairs (please refer to depreciation list for what is depreciated or capital expenditure)
- ☐ Advertising for tenants
- ☐ Cleaning
- ☐ Land Tax
- ☐ Agent fees commissions
- ☐ Pest control
- ☐ Stationery, telephone and postage in relation to the rental property.
- ☐ Travel to and from the property
- ☐ Some legal costs
- ☐ Body corporate fee
- ☐ Gardening/Lawn mowing
- ☐ Lease document expenses
- ☐ Quantity surveyor reports, etc.

Depreciation:

Some expenses in relation to rental properties are not outright deductible in the year of the expense. They are claimed over the useful life of the asset, e.g.

- ☐ Carpets and some floor coverings
- ☐ Curtains/blinds
- ☐ Hot water systems
- ☐ Stoves
- ☐ Furniture, etc.

Capital Expenditure:

These types of expenses are generally structural in nature, or relate to the purchase/sale of the property. These expenses are either form part of the properties cost base or are deductible under the capital works provisions.

Some repairs are classed as capital expenditure, such as where a repair to the asset has improved/changed the asset as opposed to returning it to its original condition. e.g. where a tile roof is damaged and replaced with a colour bond roof.

Things that are deductible under capital works;

- ☐ Some buildings
- ☐ New kitchens
- ☐ New Bathrooms
- ☐ Carports

- Driveways
- Fencing
- Retaining walls, etc.

Expenditure that is Capitalised

These expense generally form part of the properties cost base for calculating any capital gain on the sale of the property.

- Stamp duty
- Legal costs on purchase
- Property purchase costs
- Property searches on purchase
- Building and pest inspection on purchase

What to do when you purchase a rental property;

> If the building was built on or after 18 July 1985 you should ask the seller for a copy of their building write off schedule. If they can't provide one you should consider obtaining a quantity surveyors report.
>
> Apportion the assets purchased with the property. If the house contains a hot water system, carpets, stove, dishwasher, etc. You should get a reasonable estimate of their market value at the time of the purchase so you can claim the depreciation for these items. If you engage a quantity surveyor this will be part of their report.

What you should do if your main residence becomes a rental property;

> You should get a market valuation of property at the time you decide to rent it out. This is the value that will be used to calculate any capital gain if the house is sold in the future.
>
> If the property is mortgaged or has a loan on it you should let your financial institution know that it has become a rental property now. This may effect the mortgage or loan.
>
> Contact your insurer and let them know of the change in circumstances as this may effect your insurance.
>
> Obtain a quantity surveyors report where necessary.
>
> If there is a redraw facility on the property loan, do not redraw on the loan once it has become a rental property, unless the redraw is for expense/capital relating to the property. You must be able to account for all the redrawn funds for the hole life of the loan, even prior to it becoming a rental property.

If you sell your main residence and it was a rental property first you need to tell us as this will effect how the sale is treated.