

Dear Property Investor,

Tax time is here we thought it's timely to provide you with our useful Rental Property Tax Facts Guide.

Now that you've received your Rental Statement for the year end, it is important to start thinking about legitimately **maximizing your tax deductions** and possibly your **tax refund**.

Any rental profit you make from your rental property(s) will be subject to tax. By claiming the available tax deductions, you can reduce your rental profit and ultimately reduce your taxable income.

Our Rental Property Tax Facts Guide will provide you with the insight into some key allowable investment property tax deductions.

To get your refund, you will need to prepare and lodge your tax return with the ATO.

HOW CAN BLUE SKY ACCOUNTING HELP YOU?

- **FREE INITIAL CONSULTATION** - We can provide you with a free initial consultation to discuss key issues and opportunities for you including amongst others, rental property deductions, asset protection strategies, tax efficiency and effective structuring. We are available to meet with you where and when it is convenient.
- **PREPARE AND LODGE TAX RETURN** - We can do this on your behalf to ensure you achieve your full entitlement.
- **REFUND IN 14 DAYS** - We can get your tax refund into your bank account within 14 days.
- **REDUCE YOUR AUDIT RISK** - The ATO has significantly stepped up its audit and review of rental property deductions in recent times. We can provide you with the right advice at the right time to reduce your audit risk.
- **PAY AS YOU GO WITHHOLDING (PAYGW) VARIATIONS** - Are you a salary wage earner? If so, did you know as a rental property owner, you may be eligible to have your employer withhold less tax from your pay? This ultimately means more money in your pocket throughout the year. We can assess this possibility and arrange on your behalf.

Should you wish to seek further clarification on the issues and opportunities raised in this letter, or have any other queries, please contact our office on **9081 0400** or myself direct on **0403 201 657** for a **free initial consultation**. I look forward to speaking with you soon.

Yours Sincerely

Melad Aoun CA, B.Com
Partner



**RENTAL PROPERTY
TAX FACTS GUIDE
OVERLEAF**



RENTAL PROPERTY TAX FACTS GUIDE

DID YOU KNOW?

If you have investments in property, you are eligible to claim tax deductions related to the expenses you incur whilst owning and maintaining each property. Here are some of the available investment property tax deductions:

ACCOUNTING FEES

The cost of obtaining tax advice from a registered tax agent such as BlueSky Accounting is tax deductible. Tax preparation fees are also immediately tax deductible.

ADVERTISING FOR TENANTS

Cost of advertising (such as in local newspapers and on line) for tenants is immediately tax deductible if your property is for rent.

BORROWING EXPENSES

Are capital in nature and deductible over 5 years, not immediately. Some examples include loan establishment fees and title search fees.

CONSTRUCTION EXPENDITURE

Are capital in nature and depreciable over 25 to 40 years, depending on the nature and time of construction. To maximize your tax deduction, we suggest you obtain a quantity surveyor's report.

ELECTRICITY AND GAS

Costs are immediately tax deductible as long as you, not your tenant, pay the bill.

GARDEN MAINTENANCE

Costs to maintain a garden are immediately tax deductible. Costs to improve a garden (such as landscaping) are capital in nature, and deductible over more than 1 year.

INTEREST ON LOANS

Interest charges on a loan which is directly related to financing a rental property are tax deductible in the year the interest is paid. Importantly however, the deductibility of interest relies on a strict tracing of loan funds to determine if they have been used for an income producing purpose.

LANDLORD INSURANCE

Is immediately tax deductible and can protect you against circumstances including loss of rent, rent default, theft by a tenant, building damage and public liability claims.

LAND TAX

Is immediately tax deductible. You'll be liable for land tax if you own, part-own: vacant land, a holiday home, an investment property, a company title unit, or a residential, commercial or industrial unit.

LEGAL COSTS

Tax deductible legal expenses include the cost of evicting a non-paying tenant and the cost of terminating a lease. Legal costs incurred in buying and selling a property are not tax deductible and are included in the cost of the property.

PROPERTY AGENT'S FEES AND COMMISSIONS

These costs for managing your property are listed in the year-end financial statement you have now received and are tax deductible in full.

REPAIRS AND MAINTENANCE

A repair is generally immediately tax deductible. However initial repairs, renovations, improvements, replacements and extensions are generally deductible over more than one year.

TELEPHONE EXPENSES

Related to running an investment property are immediately tax deductible.

TRAVEL AND CAR

Investment-related travel and car expenses include airfares, car hire, taxis and accommodation. These expenses are tax deductible, subject to certain conditions.

WATER CHARGES

Water rates are tax deductible if you, not your tenant, pay the water bill.

OTHER

Immediately tax deductible expenses also include stationery and postage, cleaning, council rates, bank charges and body corporate fees.