

RENTAL PROPERTIES

Rental income is taxable income, therefore costs in financing the purchase of the property and on-going maintenance is generally deductible!



Interest on Loans

The interest paid on loans can be claimed if the funds are used to purchase a rental property, make improvements on a rental property, pay for running expenses while the property is being leased, or to purchase assets like furniture or appliances.

Repairs and Maintenance

Deductible repairs are those to fix a faulty or worn out part, or return a deteriorated part to its original condition. Repairs are generally only deductible while the property is producing income, but deductions may be allowed if damages were made by tenants.

Depreciating Assets

Assets that decrease in value (depreciate) over time are deductible if they are used to produce income, for example, a fully furnished apartment.

Capital Works

A deduction for capital works may be allowed if your property was constructed after the 18th July 1985. This deduction is allowable for every subsequent purchaser of the property and is based on the original cost of construction.

Sundry and Other Deductible Items

This includes council rates, land tax, body corporate fees, agent's fees and commission, travel costs and tax agent advice. Legal costs and stamp duty on the initial purchase of the property are not deductible, however, on sale of the property the costs may form part of the 'cost base' for the calculation of capital gains tax.

Negative Gearing

If total income amount is negative, this results in a loss which can be offset against other taxable income on your tax return. This is known as negative gearing. Whilst negative gearing is a common strategy for reducing tax, you should remember you are getting a tax break because you are losing money!!!



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