



KNOX TAXATION AND
BUSINESS ADVISORY

you're in good hands

2020

TAX RETURN

CHECKLIST

Property Investors

Use our checklists to help save
you valuable time preparing
for your 2020 tax appointment.

2020 Property Investor Checklist

The following checklist will help you gather the records and information we will need to prepare your income tax return for 2020.

We suggest that you **use this checklist alongside our standard "Individual Checklist"** to ensure that you have all the required documentation for your tax return.

Completion of your return may be delayed if any of the following records or information is missing.

INCOME RELATED

- Rental Property Summary Report** from your Real Estate Agent
- Rental Property** income & expenses, including agent's annual or monthly statements, interest on loan(s) and a summary of any other expenses paid directly by you. Also supply a copy of page 1 of the contract, your solicitor's letter, settlement correspondence and a depreciation report if a property was acquired during the year.
- Purchase or Sale of a Property** – we'll need copies of your purchase and/or sale contracts
- Statements of Adjustments at Settlement** and any **Agent Costs or Legal Fees**
- Details of any other income** – including insurance payouts for damages, reimbursements for tenants etc.

IMMEDIATE TAX DEDUCTIONS

Fortunately, some rental property expenses are tax deductible, however others are not. **It is important to understand what your regular expenses will be and to differentiate between them for tax purposes.**

Administration Expenses

- Electricity & Gas** – if paid by you
- Stationery** bought to maintain rental records
- Postage**
- Bookkeeping & Secretarial Fees**
- Telephone calls**

Ensure to keep a diary of your calls and apportion private vs. property-related use

Property Management & Maintenance

- Advertising for Tenants**
- Bank Charges & Statement of Fees**
- Body Corporate fees or Strata Title fees and charges.**
- Cleaning expenses**
- Gardening / Lawn Mowing**
- Lease Document Expenses** (Preparation, Registration, Stamp Duty)
- Letting fees**
- Pest Control**
- Postage**
- Property Agent Fees / Commission** – including GST
- Security Patrol Fees**

Insurances

- Including **Landlord / Building / Contents / Public Liability Insurance**

Rates & Taxes

- Water rates, charges and usage**
- Council rates**
- Land Tax** – first time owners must lodge an initial land tax return with the Office of State Revenue in each state

Surveying

- Quantity Surveyor Fees** (if relevant)
- A report showing **depreciation expenses** and Special Building Write-off

Loan Fees & Interest

Only for **loans that finance your investment property.**

- The loan must have been used to acquire your investment property in order for the interest to be deductible

NOTE: If your loan is used for both investment property and private assets, the interest has to be apportioned

Travel Expenses

Although you may want to claim some travel expenses in your tax return, as of 1 July 2017, travel expenses relating to rent collection, inspections, repairs and maintenance are **no longer accepted by the ATO.**

Seminars

In the event that you have attended a property investment seminar, you can only claim the cost as a deductible expense if:

- The seminar **relates specifically to operating or maximising the return** of properties you already own

If money is spent on relevant seminars BEFORE any property has been acquired, they cannot be claimed as a deduction in your tax return.

REPAIRS VS. IMPROVEMENTS

Repairs & Maintenance

- Receipts for repairs relating to wear and tear or damage** that occurred from renting your property out to tenants

Examples include replacing broken windows, plumbing or repairing electrical compliances.

Improvements

Tax deductible repairs do not include improvements and repairs made at the time of purchase.

Repairs made immediately after purchase of an investment property or to make the property suitable for rent, are considered of a capital nature.

These expenses are added to the cost base of the property and are therefore NOT deductible in your tax return.

OTHER NOTES:

- Tax deductible expenses **must be claimed in the financial year in which they are incurred**
- To claim mortgage/loan interest, **the property must be rented or available to rent** in the income year you are claiming the deduction.
- If you choose a **line of credit** to finance your property purchase, it is recommended that **the loan not be used for private purposes**. If it is, the amount of interest you can claim as a deduction can diminish rather quickly

- **Using your property for personal use or renting it out to a relative/friend** at below market value can impact the tax deductibility of your expenses

OTHER DEDUCTIONS

This section relates to deductions that can be made over a number of years.

Borrowing Costs

Most borrowing costs are deductible over the period of the loan (where the loan is less than 5 years) including:

- Title Search Fees**
- Mortgage Registration fees**
- Loan Application Fee**
- Loan Valuation Fees**
- Lenders Mortgage Insurance**
- Stamp Duty on Mortgage**

Capital Works/ Building Construction Write-Off

The capital cost is based on the original cost of constructing the building, plus improvements at their original cost. It has nothing to do with the purchase price of the home.

These expenses include:

- Costs to build, extend or renovate a building**
- Architect fees**
- Excavation**
- Common Facilities such as lift-wells**
- Construction** of retaining walls etc.

Depreciation

- Depreciation on Plant & Equipment**
- Depreciation on the Building Construction**

If you would like further guidance on what to bring to your next Tax Appointment, please contact us via the details below:



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