eBook

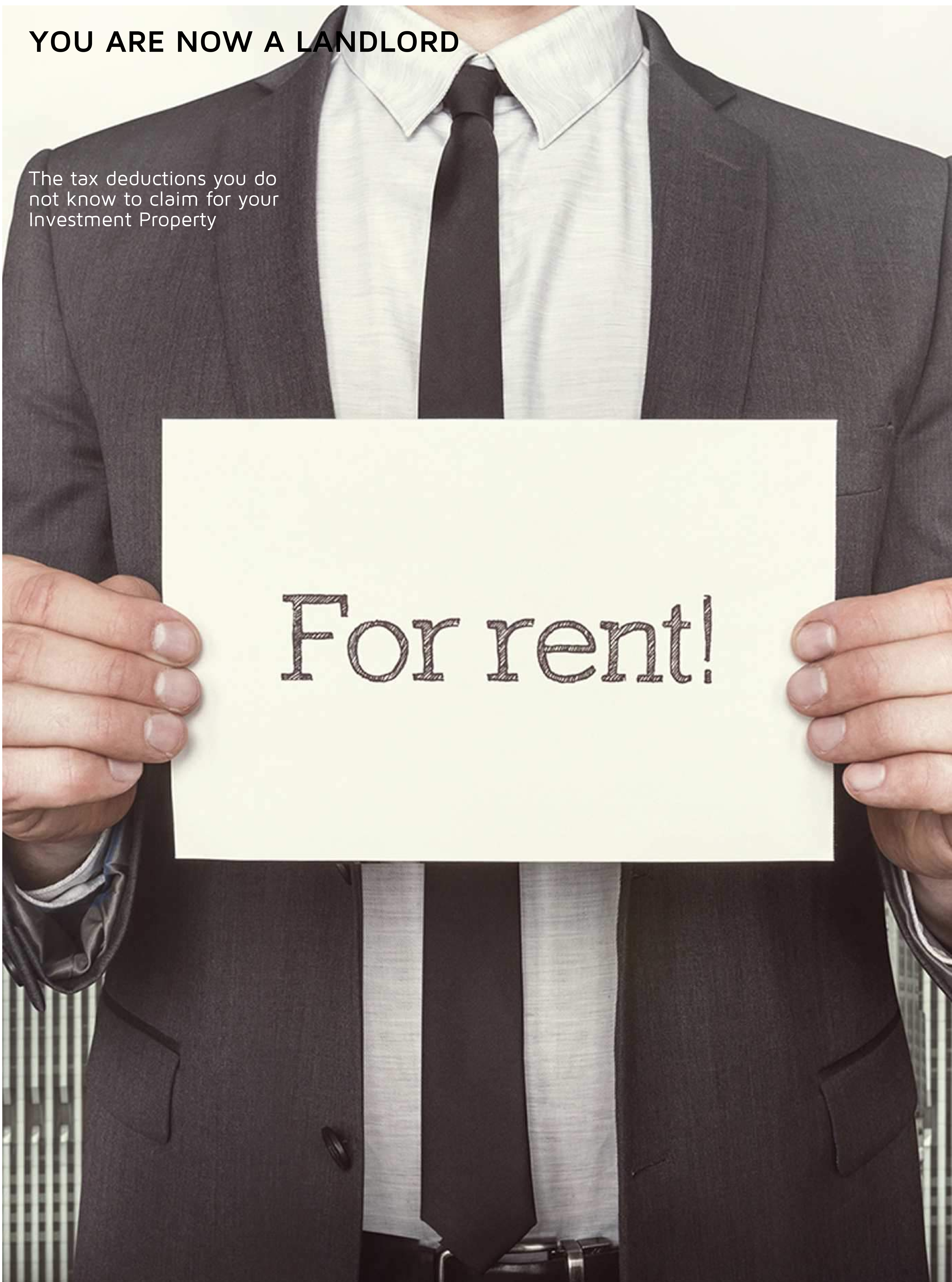
BUILDING ASSISTANCE AUSTRALIA

NO.006

PROPERTY PULSE

YOU ARE NOW A LANDLORD

The tax deductions you do not know to claim for your Investment Property



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Introduction

We are familiar with an old saying: "Death & Taxes are the only two certainties in life." This is true; however, we should try to be taxed till death. One solution, as a property investor to this, is to avail yourself of all the legal deductions against your rental income.
It may look sweet and sound, but it is not because tax laws are complicated and are regularly changing. Therefore, you may be unable to claim just what is right for you to claim on your property.

This short document aims to provide knowledge about the balanced amount, neither too much nor too less. It is again requested that you keep in mind that the point and facts explained here are of general perspective, so before you implement any idea in a particular case, you must seek professional advice.

This document explains what you can do;

• Deduct immediately (This means you can avail in your next tax return)
• Deduct over a specific time length.
• Not Deduct.

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Immediately Deductible Expenses.

Many possible options come in the realm of immediately deductible expenses. The common thing in them is that they relate to your daily business routine. Therefore, you must persuade the Australian Taxation Officer (ATO) that the terms you claim will represent genuine business expenditures.

One thing that will save you time and money is that you must maintain genuine "paper trails" whenever you do business. Here we explain major classification for which you can assert tax deduction immediately:s.

Property Management and Ongoing maintenance expenses

This class includes some of the repeatedly happening expenses associated with your business. You may claim for;

> Promotion Cost: Refers to expenditures of finding the residents and convincing them to stay in your property. You can claim for both; Direct (ads placed by you) and indirect (where you appoint an agent).

> Building/Property Fees: This may include body collective or strategic management fees.

> Miscellaneous Costs: This includes expenses for maintaining a healthy environment, such as gardening/lawn cleaning expenses, pest control, security arrangement fee etc.

Rates and Taxes.

This includes any of the regular bills you are directly associated with, such as:

> Land Tax: It is controlled by the Revenue office for each state. If you are the first owner, you must lodge the initial tax return request as soon as possible because if you do not, you may be charged with a penalty for late lodgment.

> Electricity and Gas Bills: Occasionally, the owner has direct responsibility for the gas and electricity bills. If you are the owner and that is the case, you may claim it.

Property Firm Costs.

> You can assert authentic expenses related to appointing an agent who manages the property on your behalf.

> Agent Fee/Commissions: You can claim on both the fee and Goods and Services Tax (GST) payable.

> Postage and Trivial Expenses

> Statement Fee

> Bank Charges: Expenses on attaining lease documents for your property.

> Letting Fees

Administrative Expenses

This category refers to expenses arising from the administration of your property business. You must possess all legal records because that is where landlords generally spend quite a chunk of money.

> Communication expenses

> Stationary and postage expenses,

> Expenses in dealing with residents and from debt collection

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Insurance Costs

The cost, which covers the odds of facing the risk when running a property business, can be included in this category. The ATO considers the following type of insurance as eligible for deduction:

> Detailed landlord insurance.

> Structure Insurance

> Contents insurance

> Public Liability Insurance

>Costs payable on investment.

In some cases, you are liable to receive a certain amount when buying a property, which would be included in the settlement letter you will receive from your attorney. These can be asserted for deduction and include:

- The balance payable on council rates
- The balance payable on water rates
- The balance payable on the body
- Corporate fee

Renovation Costs

As an owner, your foremost priority is providing comfort and a healthy environment for the residents. Expenses held by them can be deducted. There is a clear difference between what is applied to repair the property and what is applied to enhance the property so the ATO will pay special attention to those cases. In general, the agreement would only be successful when the stability of the property is the same as it was at the initial level.

This is where having a clear record would help you the most. If you own those records, you will be greatly benefited. Repair costs may include the following,

> Plumbing Repairs
> Electrical Repairs
> General Repairs
> Interest and Loan Amounts
> Mobility Expenses

Mobility expenses can be deducted if they are related to the daily management of your business. This may include,
> Inspect Property
> Maintain Property
> Collect Rents

To claim the full deduction, it is necessary that you move to attend to business property issues. If you stay there for personal purposes, you must deduct the expenses accordingly. This is sometimes referred to as 'Apportioning' and must be done correctly.

Quantity Surveyor Cost

Sometimes, it is necessary to engage the surveyor's services when calculating the depreciation expenses and expenses met by adding an extension to the property. This can be put up to the claim.

Training Seminar

You can assert the expenses met by attending the seminars related to the management/revenue optimization of the property you own. You cannot claim seminars that teach you how to expand your property business.

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Expenses Deductible in Successive years

You cannot claim some deductions in your next tax return, but you can claim them in successive tax returns. This area can pay you back for quite a long term if you analyze it carefully.

Non-Deductible Expenses.

Some expenses cannot be included in deductible ones. They are known as private expenses by the ATO. Most notable among these are:

> Buying price

> Stamping fee on buying

> Legal and transference fee

> Pest and Property Investigation

> Sourcing Fee

> Repairs are done right after buying

> Costs relating to property sale

The following expenses related to the sale of a property cannot be claimed:

> Legal and transference fee

> Agent Fee

> Pre-Purchase Costs

This includes expenditure when inquiring about new venues for investment. You must, therefore, not add up any of these in your tax return:

> Fee for seminars focused on property expansion.

> Property sourcing expenses

> Travelling costs

> Expenses met when the real state was not available for ren.

It is important to remember that if a property was removed from rental purposes, the expenses met at that time will not be entertained in tax deduction.

Depreciating Assets

This deduction is referred to as a 'Decline in the worth of Depreciating Assets (an asset that is expected to lose its worth after a certain time'. It would be best if you were very focused on calculating this because there are different methods of calculating legal, eligible deductions. Generally, studying these will do enough for you:

> The cost of installing equipment, such as hot water systems, should be added to the total value of the asset and used to calculate depreciation.

> Moveable assets should be depreciated following their useful life. ATO website should be consulted for this.

> Items worth more than $300 should be included in depreciation costs.

Construction Costs: You may include expenses met on constructing a building referred to as 'Capital Works Deduction'. Generally, it spans over 40 years for 2.5%, depending upon the construction and the date when it is starte.

The example may include the following:

> Adding a room, extension or garage.

> Alterations like adding or removing a wall.

> Structural improvements.

One important fact is to remember that you can only claim for periods when the property is on rent.

Expenses of taking Loans.

Expenditure made on borrowing can be deducted over successive years when the loan term is less than five fiscal years. They include the following:

> Loan Application fee

> Lender's legal fee

> Title search fee

> Lenders Debt Insurance

> Stamp duty on Debts and Contract registration fee

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Conclusion

You should remember that you can save money if the considerations are considered. You must not miss the opportunity to secure maximum by a minimum effort.

Property investments can be immensely profitable and an excellent way to create wealth. However, there are some associated risks. Predicting profits and guessing taxation is highly complicated, and it requires expertise when you are planning for negatively geared investment.

It would be best if you relied on a professional financial advisor who can understand your financial position and guide you according to them to maximize your profits and make a successful wealth-generating plan. You will make progress on your road to financial independence with the support of the right advisor.

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Our team members are specialist investment planners in property, and what we do is different to that of a financial planner. We are licenced to deal in real estate, not financial planning.

Financial planners and accountants often buy into us to assist their clients in starting a successful property portfolio. We have no specialist skills in family succession, shares, or testaments. We do not hold an Australian Financial Services or Credit Licence. Until we learn more about your uniqueness, the opinions published here can only be general.

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The data in the following graphs and tables are from third-party authoritative sources, all listed at the rear of this document.
These use historical data. Of course, past performance is not necessarily indicative of near- future results. We use this data to highlight long-term trends.

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We believe that any financial commitment is a big step in your journey, so we strongly recommend obtaining independent advice before making financial decisions arising from this document.

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The law compels us to state that we make no warranty as to the accuracy, completeness, or reliability of the information, including the tools used to compute the information, nor do we accept any liability and responsibility arising in any way from omissions or errors contained in this document.
All arguments herein are made in good faith, and all data has been obtained in good faith from the most accurate sources we could find, much from government agencies

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Feel free to contact us to set up an initial complimentary meeting and find out how we can help you on your quest to develop your property portfolio that can change your future.

The steps include:
Step one. Relationship.
Step two. Knowing the numbers.
Step three. The choices.
Step four. Recommendations.
Step five. Plan into action.
Step six. Working together as a team.

CONTACT US TO START YOUR RELATIONSHIP WITH OUR LICENSED TEAM MEMBERS