Williams Chartered Accountants

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RENTAL PROPERTIES

Paying tax on your rental income

Generally, any income that you receive from renting out property will be liable for income tax, so you must include it in your tax return. This income could be from renting out land or buildings, or it could be income you earn by having private boarders or flatmates living with you.

Expenses you can claim

The following expenses can be deducted from your rental income:

- Rates and insurance
- Interest paid on money borrowed to finance your property
- Fees or commission paid to agents who collect the rent, maintain your rental, or find tenants for you
- Repairs and maintenance (except if they substantially improve the property)
- Motor vehicle and travel expenses
- Mortgage repayment insurance
- Accounting fees for the preparation of accounts
- Depreciation (but not building depreciation).

Expenses you can't claim

You can't claim deductions for capital expenses, private expenses, or expenses that do not relate to your rental.

- The purchase price of a rental property
- The capital portion of mortgage repayments
- The interest on money you borrow for any purpose other than financing a rental property
- The costs of making any additions or improvements to the property
- The costs of repairing or replacing any damaged part of the property, if the work increases the property's value
- Real estate agent fees charged as part of buying or selling the property

Legal fees
You can't claim legal fees charged as part of buying or selling the property. The only exception is if:

- You are in the business of renting properties, and
- Your total legal expenses for the income year are $10,000 or less.

NOTE

- From the 2011-12 income year, the rate of depreciation on buildings has reduced to 0% if buildings have an estimated useful life of more than 50 years.
- From the 2013-14 income year new mixed-use asset rules apply to holiday homes to determine the expenses allowed for income tax purposes.