# Tax tips for Property Investors

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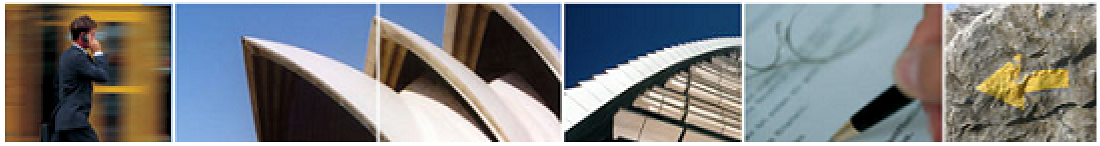

With the current tightening of the property market and increases in the cost of living it has never been more important to take full advantage of any eligible tax deductions available.

When it comes to property investors, it pays to have all of your deductions accounted for. We have developed a list of tax tips for property investors, that will hopefully place additional dollars into your pockets.

## 1. Claim all of your expenses in relation to your investment property

The following is a list of items that can be claimed as deductions

*Expenses for which you can claim an immediate deduction*

Expenses for which you may be entitled to an immediate deduction in the income year you incur the expenses include:

Advertising for tenants
Bank charges
Body corporate fees and charges
Cleaning
Council rates
Electricity and gas
Gardening and lawn mowing
In-house audio/video service charges
Insurance:
- Building
- Contents
- Public liability

Interest on loans
Land tax
Lease document expenses
- Preparation
- Registration
- Stamp duty

Legal expenses (excluding acquisition costs and borrowing costs)
Mortgage discharge expenses
Pest control
Property agent's fees and commission
Quantity surveyor's fees
Repairs and maintenance
Secretarial and bookkeeping fees
Security patrol fees
Servicing costs – for example, servicing a water heater
Stationery and postage
Telephone calls and rental
Tax-related expenses

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Travel and car expenses

- Rent collection
- Inspection of property
- Maintenance of property

Water charges

You can claim a deduction for these expenses only if you actually incur them.

**2. Examine the above expenses that you have incurred over the year**

Whilst the above expenses can be claimed as deductions, property owners should take the opportunity to review all of the expenses incurred with holding their investment property.

Ensure that your agent has been proactive in the collection of monies owed to you for items such as water usage, which is payable by the tenants.

Also, consider cutting down on recurring expenses such as monthly lawn mowing fees. Do the lawns really need to be mowed every month or can you get away with making this bi-monthly? Look at other areas where the expenditure has been high and consider ways of reducing your expenses.

**3. Pre-pay your interest**

There may be an opportunity to pre-pay your interest on the loan. Remember, your loan is more likely to be interest only (as only the interest component can be claimed), look at pre-paying the interest bill for next year and collect a discount from the bank whilst bringing your deductions forward.

Essentially, if you can afford it, this will significantly reduce your taxable income. Throughout the year you will also get the benefit of still obtaining rent whilst your loan repayments will cease for the period of prepayment.

Remember to only prepay for one year as this is the only period that can be claimed as a deduction.

**4. Obtain a Tax Depreciation Schedule**

Engage a specialist tax depreciation firm to carry out a depreciation schedule of your property. This will allow you to capture the depreciation on the plant and equipment within the property, the capital works including common areas (if applicable) and any renovations and improvements carried out to the property. The cost for the schedules are fully tax deductible also.

## 5. Lodge a PAYG income tax withholding variation form

Section 221D of the Income Tax Assessment Act provides the Commissioner of Taxation with the authority to vary the amount of tax installments to be deducted from the salary or wages of an employee, or class of employees, in order to meet the special circumstances of any case or class of cases.

In this context, where you are claiming depreciation and deductions on your investment property, you may be eligible to vary your income tax deductions on a monthly basis rather than waiting till the end of the year to make your claims.

Essentially, the income tax withholding variation form will allow you to vary the amount of tax deducted, leaving more in your account and allowing you to pay less interest on your mortgage.

## 6. Bring forward any repairs

If you are considering doing repairs to your property, do them prior to June 30th and claim them now rather than waiting till June next year. However, be careful in claiming items considered to be improvements as repairs. Generally improvements are depreciated whilst repairs are deducted. Examples of repairs include items such as:

- Replacing broken windows
- Plumbing maintenance
- Repairs to electrical appliances

## 7. Look at increasing the rent

With the current shortage of rental properties available in most capital cities, it might be a good time to review the rent and increase it if it is not in line with the current market. Liaise with your property manager to see if it is possible to increase the rent and look at the rents of other comparable properties on the real estate portal sites.

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