

CHECKLIST FOR THE PREPARATION OF YOUR INCOME TAX RETURN

WITH COMPLIMENTS * FD BROWNE & CO PTY LTD-CHARTERED ACCOUNTANT - Ph: (02) 8456-9221

In order to assist you in the preparation of your tax return this year please supply us with the following information (where applicable).

LANDLORD'S INCOME & EXPENSES

Rental income derived by a landlord is assessable. Rental income is only derived when it is constructively received, not when it is recoverable. But deductions may be claimed for expenses relevant and incidental to the production of that income, as well as under other specific provisions. Apportionment is applicable for part year usage.

	DETAILS	\$
INCOME		
Rent Received		
Other		
TOTAL INCOME		
EXPENSES		
Interest-Original Loan		
Interest-Loan for Subsequent improvements or repairs or depreciable items		
Amortisation of borrowing costs		
Mortgage discharge expenses		
Building write-off allowance		
Depreciation		
Advertising for tenants		
Agents commission		
Bank fees and charges		
Bookkeeping and Secretarial		
Insurance (Property, Contents, Public liability)		
Land Tax		
Legal expenses (some)		
Maintenance/Gardening		
Management Fees		
Preparation of lease		
Rates-Council		
Rates-Water		
Repairs		
Safety deposit box for deeds		
Strata Levies		
Stationery and Postage		
Telephone calls and rental		
Travel (Repairs/Inspection)		
TOTAL EXPENSES		
PROFIT (LOSS)		

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OTHER DETERMINATIONS

A landlord's claims will need to be apportioned where only part of the property is let, the property is let for only part of the year, or the property is let for a mixture of commercial and non-commercial purposes. Where only part of the property is let and the rest is used for private purposes, the claim is normally apportioned on a floor area basis.

Where rent is received from a short-term commercial letting of (say) a holiday home, the losses and outgoings are normally apportioned on a time basis according to the period that the property is actually let. Any period that the property was available for letting may also be taken into account in making the apportionment, provided it can be shown that active and bona fide effort were made to obtain tenants during that time.

Leasing a house to a relative for a low rental has often been seen as a way of conferring a benefit on the relative while still retaining the tax advantages of being a landlord, i.e. by disclosing the rental as income and claiming a relatively substantial deduction for outgoings. In extreme cases, eg where the rental is only a token amount, the Commissioner may seek to treat such a "lease" as a domestic arrangement with no tax consequences. Alternatively, where the transaction has both business and private elements, apportionment may be appropriate. However, where the property is let to relatives on a normal commercial basis, the landlord will be treated in the same way as any other owner in a comparable arm's length situation. In cases involving non-commercial elements the Commissioner may also seek to limit the deduction for outgoings to the amount of income received if insufficient evidence to justify a higher claim is provided.

REPAIRS

Repairs that you make on the property may be allowable deductions. However, the repairs must relate directly to wear and tear or other damage which occurred as a result of renting the property. For example, suppose you decide to paint the interior of your house prior to renting it. The costs involved would not be allowed as deductions as they do not relate to the effects of letting the house.

On the other hand, if you decide to move in to your house after a period of rental, the cost of repairs may be deductible provided:

- the necessity for the repairs is related to the period of time during which the property was used to produce assessable income; and
- the property was income producing at some time during the year of income in which the expenditure was incurred.

The cost of improving, adding to or altering a rental property is not considered to be a repair, but a capital expense and therefore not an allowable deduction. However, structural alterations, extensions or improvements may qualify for a special building write-off.

Examples of expenses which are considered to be repairs and therefore allowable deductions include: replacing broken windows; maintenance of plumbing; and repairing electrical appliances.

Examples of expenses which are considered to be improvements and therefore are not allowable deductions include: replacing floor tiles with carpet; landscaping; and insulating the house.

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BORROWING COSTS

If greater than \$100, to be apportioned over the life of the loan or 5 years whichever is the lesser. Part year apportionment required.

Expenses can only be claimed if they are a requirement of the borrower, otherwise they are to be added to the cost of the property.

	\$
Loan Establishment Fees/Application Fees	
Valuation Fee	
Legals - for borrowing	
Survey Report	
Building Report	
Pest Report	
Mortgage Insurance	
Council Report	
TOTAL	

BORROWING COST WRITE OFF

YEAR ENDED	CLAIM
1.	
2.	
3.	
4.	
5.	
6.	
7.	

DEPRECIATION ON PLANT, EQUIPMENT AND ARTICLES (S 54)

If the property is let furnished or equipped, depreciation may be claimed on the following items. Items such as crockery, cutlery, linen and bedding are allowed on a replacement basis. If a landlord provides a lease incentive in the form of a free fit-out and retains ownership of the fit-out, the expenditure will not be deductible although depreciation will be allowable in respect of plant or articles.

The Commissioner will not allow depreciation on items having the character of essential building fixtures, such as sinks, baths, troughs and similar plumbing fixtures and fittings, built-in fire stoves, built-in cupboards and rotary hoists. Demountable built in cupboards not nailed or glued to the structure which can be easily removed without destroying the cupboards and reinstalled may be deductible.

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ITEM	DETAILS	COST	DATE OF PURCHASE
Bedding			
Blinds, Venetian			
Carpets, linoleum & smaller floor coverings			
Ceiling exhaust fan			
Chainsaw			
Clothes dryers			
Crockery, cutlery, glassware, cooking utensils			
Curtains and drapes			
Electric bed			
Electric clock			
Electric heater			
Furniture and fittings (not essential building fittings)			
Garbage units compacting			
Gas coppers			
Hot water services			
Insinkerator			
Kitchen Cupboards (only if not fixed)			
Lawn mowers: - Motor - Self propelled			
Light fittings			
Linen			
Microwave ovens			
Radios			
Range hoods			
Refrigerators and freezers			
Security systems			
Solahart			
Stoves and cook tops and wall ovens			
Sun louvres			
Television Sets			
Vacuum cleaners and floor polishers			
Washing machines and dishwashers			
Water pumps, Tank and Bore			