Rental Statement

Client Name:

TFN:

Year Ended:

Situated at

Date Purchased: __ __ / __ __ / __ __

Date first rented __ __ / __ __ / __ __

Gross Rental Income **$ ....**

Other Income **$ ....**

Less Expenses

Advertising	$ ....
Body Corporate	$ ....
Borrowing costs (pro-rata over 6 years)	$ ....
Cleaning (Rubbish removal)	$ ....
Council Rates	$ ....
Garden (lawn mowing)	$ ....
Capital Allowance (plant and equipment)	$ ....
Insurance	$ ....
Interest on Loans	$ ....
Land Tax	$ ....
Legal Fees	$ ....
Pest Control	$ ....
Agent Fees/Commission	$ ....
Repairs & Maintenance	$ ....
Special Building Write-off	$ ....
Stationery, Phone, Postal	$ ....
Travel Expenses	$ ....
Water Rates	$ ....
Sundry	$ ....

DEPRECIABLE ASSETS ***(items over $300 purchased for rental property)***

Date Purchased	Item Purchased	Cost of Item ($)

Signed: **...** **Date:** **...................................**

Name: ....

Rent Statement

Rental holiday homes/properties

Rent received from the commercial letting of a holiday home is clearly assessable. From the Australian Taxation Office's point of view, as a general rule, the deduction for losses and outgoings on the property will be apportioned on a time basis. For example, in one case, a holiday cottage was let for 16 days during the income year, occupied by the owners for 107 days and vacant for 243 days. The Board of Review held that rates and interest were deductible to the extent of 16/365 and electricity to the extent of 16/123. In making the apportionment, periods when the property was not actually let, but was available for letting may be taken into account in the taxpayer's favour, provided he or she has made identifiable and bona fide efforts to let the property at a commercial rental during that period. An example would be by commissioning two independent real estate agents to endeavour to rent the property out for the **whole year** at current rental charges.

Rental Interest Deductions
The deductibility of interest is determined by the use of borrowed money rather than the security provided. If the borrowed funds are used for private purposes, the interest is not deductible.

For example, Mr A owns his current home outright. He decides to build a new home to live in and to rent his old home. He takes out a loan to build his new home using his old home as security. The money borrowed to build the new home is for private purposes and, therefore, the interest is not a deductible expense. The fact that he has a mortgage against his old home, that he now rents, does not alter the fact that the money was used privately. Mr A is therefore not entitled to a deduction.

The interest on a loan for a property used for both rental and private purposes must be apportioned.

If your rental property is held in joint names, interest deductions must generally be split according to the legal ownership of the property and not claimed solely by the income earning partner(s).

Interest deductions may be limited in domestic arrangements. For example, where your rental property is let to family or friends at less than a commercial rate of rent, your interest deduction may be worked out on a pro rata basis or limited to the amount of actual rent received.

Some loan products – commonly called linked loans, split loans or accelerator loans – provide finance for both a private and a rental property. They are marketed on the basis that people can pay off their home loans faster and get bigger tax deductions for interest. It is not accepted that you are entitled to the extra tax deductions if you have a loan of this type. You will only be allowed a deduction equal to the amount you would be entitled to under a traditional loan arrangement.

Repairs
<u>Initial repairs at the time of purchase</u>
Expenditure incurred on initial repairs of a newly or recently acquired premise, where expenditure is incurred in repairing defects existing at the date of purchase, is capital expenditure and not deductible. You may be able to include initial repair costs in the construction cost for building write off deductions and for working out any capital gains when you dispose of the property.

<u>Repairs versus improvements</u>
You can generally claim a deduction for maintenance and repairs to your rental property. A repair involves restoring an item to its original condition. Examples of expenses which are considered to be repairs and which you can claim as deductions include replacing broken windows, maintaining plumbing and repairing electrical appliances.

You cannot claim a deduction for the costs of any alterations, additions or improvements, as they are capital expenditure.

Depreciation
Depreciation provides the basis for writing off the capital cost of an item over its estimated life. The cost of an item for depreciation purposes include the original purchases price and any installation costs. There are two methods of depreciation – prime cost and diminishing value.

Building write off
Any deduction claimed in respect of construction costs of certain buildings and structural improvements must be based on the actual costs incurred or, in circumstances where a taxpayer is genuinely unable to determine the actual costs, on an estimate by a quantity surveyor or other independent qualified person.