What Rental Property Deductions Can You Claim?

Immediately Deductible Rental Property Expenses

The following list of rental expenses is **immediately tax-deductible.**

1. Property Management and Maintenance Expenses

- Advertising for tenants (whether it's directly paid by you or charged by the real estate agent)
- Body corporate fees
- Strata Title fees and charges
- Cleaning
- Gardening and lawn mowing
- Pest control
- Security patrol fees

2. Rates and Taxes

- Water rates, charges & usage
- Council rates
- Land tax [first-time owners **must lodge** an initial land tax return with the Office of State Revenue in each state or territory]

3. Property Agent Fees

- Fees and commissions (including GST)
- Postage and petties
- Statement fees
- Bank charges and fees
- Lease document expenses
- Letting fees

4. Administration Expenses

- Stationery, phone and internet usage (if they relate to the management of your investment property)
- Postage of documents relating to property management
- Legal expenses relating to debt collection or tenant problems
- Electricity and gas (where the tenant isn't responsible for covering these expenses)

5. Property Insurance

- Landlords
- Building
- Contents
- Public liability

6. Repairs and Maintenance

Provided that the work done on the investment property **maintains it** and doesn't **improve it**, may be able to claim the costs of the following repairs and maintenance expenses:

- Plumbing
- Electrical
- Handyman fees

The ATO is particularly vigilant about claiming expenses described as repairs when they are considered to be improvements.

For example, fixing broken glass on a window is considered a repair. But, replacing the whole window frame is an improvement.

What's more, repairs made or maintenance completed immediately after purchasing the investment property to render it suitable for rental purposes are considered to be of a capital nature. In other words, these are costs that form part of the acquisition cost of the property and are immediately claimable investment property deductions. So keep good records to claim them when you sell.

7. Interest on Your Home Loan

This most significant investment property tax deduction you can claim.

If you had to take out a loan from the bank to purchase your investment property, you are entitled to claim any interest charged on the loan as a rental property deduction.

For the interest to be deductible, the loan must have been applied to acquire an income-producing asset such as a rental property.

Where there is one loan used to purchase both your investment property and your private assets, the interest must be **apportioned** based on how much of the principal was used for which purpose (this usually happens when people are using a Line of Credit facility).

Note, however, interest expense due to withdrawal from an offset account attached to the loan does not always form part of the investment property tax deductions you can claim.

8. Quantity Surveyor Fees

The fees incurred while consulting with a quantity surveyor to draw up a tax depreciation schedule are an investment property tax deduction.

9. Property Investment Seminars

You can claim the cost of attending property investment seminars, provided that the seminars relate to operating or maximising the return on **currently owned properties.**

There is no tax deduction available where money is incurred on seminars BEFORE a property is acquired.

Deductible Rental Property Expenses That Can Be Claim Over Several Years

The following list of investment property tax deductions can be claimed over several years.

10. Borrowing Expenses

Where the loan period is less than five years, borrowing expenses can be claimed as property tax deductions over that period.

Claimable deductions include:

- Loan Application fee
- Lenders legal expenses
- Title search fees
- Lenders mortgage insurance
- Stamp duty on mortgage
- Mortgage registration fees

11. Tax Depreciation

Any general wear and tear, otherwise known as the depreciation of your investment property, can be claimed as a non-cash investment property tax deduction.

This means the wear and tear can be claimed over time and offset against your income.

You can claim depreciation as a tax-deductible expense on the following assets:

- **Division 40 assets (capital works):** you can generally claim 2.5% of the construction cost of your investment property per year from the time that it was built, for 40 years (including the cost of improvements)
- **Division 43 assets:** plant and equipment assets, such as carpets and aircon, can be claimed over their effective life.

What Expenses Aren't Tax-Deductible?

The following items are either not deductible or considered to be of a capital or private nature by ATO:

- **On purchase of the investment property:**
  - Purchase price – forms part of Cost Base reducing Capital gain on sale
  - Stamp duty on the purchase
  - Legal expenses and conveyancing fees
  - Property inspection fees
  - Renovations immediately after purchase
  - Repairs immediately after purchase
  - Travel expenses to inspect your rental property yourself used to be claimable but unfortunately no longer can be claimed.

- **On the sale of the investment property:**
  - Legal expenses and conveyancing fees
  - Advertising

  - Agent fees
  - Cost of reports

- **Where investment properties aren't available for rent:**
  - None of the expenses described above will be considered investment property tax deductions.

You Need Documentation to Claim an Investment Property Tax Deduction

You can't claim any of the listed expenses as tax deductions without proof.

Make sure you always keep receipts, invoices, and any other documents relating to your rental property's expenditure so that you can claim the relevant tax-deductible expenses.

With today's technology, it is easy to capture and store most of your information electronically. So, even electronic images of all your receipts and invoices will suffice as evidence to claim a tax deduction.