



## TIMELY TAX ADVICE FOR INVESTORS

It's important for property investors to know what they can and can't claim from the tax man. The following article provides some good advice and explains how to avoid common mistakes made by investors.

### Stay on the Right Side of the Tax Man this Financial Year

**By Greg Carroll**  
**More Than Accountants**  
<https://mtafinance.smartonline.com.au/>

The Australia Tax Office is cracking down on property investors this year, particularly investors who intentionally claim excessive deductions with a doubling of in-depth audits. The ATO is specifically focused on inaccurate interest claims and capital works claimed as repairs.

#### Interest claims

Investors who have refinanced their home loan to purchase private assets such as cars or boats, or use the money for personal living expenses, often claimed too much interest. In these instances, investors can only claim interest on the portion of the loan used to buy the rental property, not the personal items.

We also see people upgrading from their existing home, keeping the old home as an investment but trying pass off the new borrowings as tax deductible. Deductibility relates to purpose, not which property the loan is secured against. If the purpose of the new loan is to buy owner-occupied property it is not tax-deductible.



#### Capital works

Another common mistake is claiming capital works as repairs. Capital works involve improving, replacing or extending a structure or part of a property, and can only be claimed over an extended period of time. Repairs, on the other hand, must relate directly to wear and can be claimed in the financial year the repairs occurred.

A typical example is where an investor renovates a bathroom in their rental property and claims the entire cost in the same year. This is a capital improvement not a repair and they can only claim 2.5 per cent of the cost per year over 40 years.

Buying an investment and immediately undertaking works before tenants move in is also a target. The ATO believes that kind of repair cost should actually be treated as an acquisition cost and added to the cost base of the property for capital gains tax situations which means no deduction at all while you hold the property not even for capital works.

Attempting to dodge tax with incorrect claims will result in heavy fines that exceed expected savings if the investor is caught.

#### But equally make sure you don't miss what you can claim

Depreciation is still something many investors miss. Engaging a quantity surveyor to do a detailed report can ensure you are not missing out on legitimate claims.

Make sure you keep receipts for any new plant and equipment replaced over the year as this can be depreciated. But keep in mind plant and equipment in established properties purchased in the last 12 months can't be claimed.

**DISCLAIMER:** The information contained in this article is general in nature only and does not represent specific tax advice

## JUNE LEASING REPORT

Another positive month for our owner clients, with the vacancy rate consistently sitting around 0.5% for both our offices.

We have noticed an unusually high number of tenants ending their agreements early due to personal circumstances. Although tenants are responsible for compensating the owner in lost rent before replacement tenants are found, it is the landlord's responsibility to mitigate the tenants' loss by securing new tenants quickly. This is where our proactive approach to securing tenants works to benefit all our clients - both owners and tenants.

**NORTHSIDE: 11 PROPERTIES LEASED**  
**VACANCY RATE 0.40%**

**SOUTHSIDE: 11 PROPERTIES LEASED**  
**VACANCY RATE 0.65%**



## Meet The Team Caroline Duxfield

Caroline joined us in 2014 as a portfolio manager and now heads the property management team. With over 20 years' experience in Property Management and a special interest in legislation, Caroline is the perfect mentor and trainer for our team.

In her down time, Caroline enjoys reading, aqua aerobics, walking her dog, and spending time with her family especially her three grandchildren.

Caroline is also active in her community as a volunteer support member of her local Rural Fire Brigade.



## JULY

### DISBURSEMENTS

Wed 3rd July  
Wed 10th July  
Wed 17th July  
Wed 24th July  
Wed 31st July

### MONTHLY STATEMENT ISSUED

Wed 31st July



## EOFY

PLEASE NOTE -  
End of Financial  
Year statements  
will be issued on  
July 1st